

# Social Insurance Planning in India

*By*

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If the jurists and economists who write about social insurance were also well informed about private insurance, and vice versa, the descriptions as well as the opinion of both methods of insurance would certainly be very different than they are

*—Dr. Alfred Manes.*

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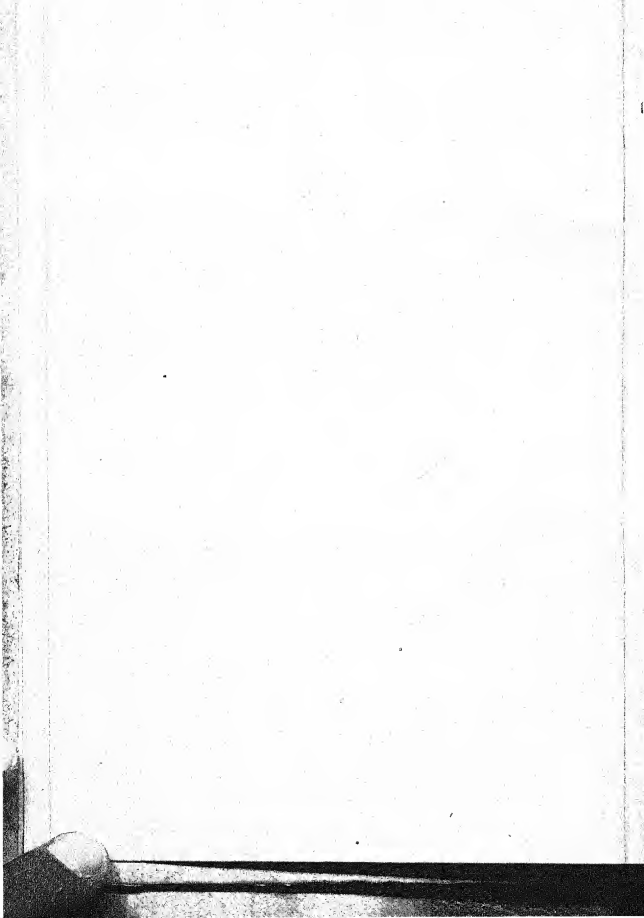
DEDICATED TO

THE HON'BLE DR B. R. AMBEDKAR

*M. A., Ph. D., D. Sc., Bar-at-Law,*

Labour Member, Government of India, who  
has made the Labour Department one  
of the most progressive institutions,  
and who has given to this  
country the vision of a  
social security plan to  
which he is now  
trying to give  
a practical  
shape





## PREFACE

For some time past I had been thinking of writing a book on social insurance in India. The idea became a determination when Dr. Beni Prasad, Professor of Politics at the Allahabad University and President of the Progressive Club, invited me to contribute a pamphlet on the subject to the Progressive Club Series. But very shortly after taking the work in hand, I found the matter more voluminous than what could be accommodated within the pages of a pamphlet; and, with apologies to and permission of my kind friend and colleague, Mr. O. P. Bhatnagar, the energetic Secretary of the Progressive Club, I gave it the shape of the present book.

Had this book appeared a year or two back, it could have served no better purpose than to satisfy the academic curiosity of the proverbial easy-chair economists by way of diversion and the requirements of students for their examination. But since the appointment of the Labour Investigation Committee towards the beginning of 1944 to do spade work regarding a social security plan for India, the position has changed, and I hope this book will be found of interest by a wider circle of readers. There is no book, of which I am aware, which deals with the social insurance problem as it exists in this country in a thorough and comprehensive manner; and while a year back this lacuna in our economic literature was not keenly felt, this is no longer the case now. The time has come when not merely the economists, labour leaders and students but also the general public including employers and workers must devote thought and attention to this important subject so as to be able to take intelligent interest in the deliberations and decisions of the said Committee as well as the Reconstruction Subcommittee to be subsequently appointed for actually framing the Social Security Plan for India. It is the duty of everybody to play his part in ensuring that the foundation of social insurance in this country is laid along correct lines, for what is well begun is half done.

A writer on this subject, however, is bound to find himself in a difficult and delicate situation. If on the one hand he would feel the absence of any literature on social insurance dealing with this country, which can either

prove a useful guide or at least thought-provoking in this regard, he has, on the other hand, to pay court to several authorities and keep in mind a multitude of circumstances and conditions. The publications of the International Labour Office are a store-house of most valuable and helpful information and he has to have them all at his beck and call. He must, moreover, keep in constant touch with the ideas prevailing on the subject in foreign countries many of which are useful to a country like India but have still not got the blessings of the I. L. O. for one reason or the other. The Beveridge Plan, Marsh Plan, New Zealand Social Security Act, Wagner-Murray-Dingell Bill and South African Social Security Plan—all have much that is precious and valuable and requires close attention. Moreover, India is not a country that has faithful likeness to the western nations, though she has greater resemblance to some of the Latin American countries; and what has been a fact with regard to the industrial nations of the west cannot be entirely accepted by us without careful examination and thought. Even things like international statistics have to be accepted with caution. At the top of this, he has to do feverish thinking along original lines and a good deal of scratching of the head. He has to extend his vision as wide as possible, see problems in the landscape which eyes can catch clearly and comprehensively, and attempt to discuss and solve them as adequately and competently as possible.

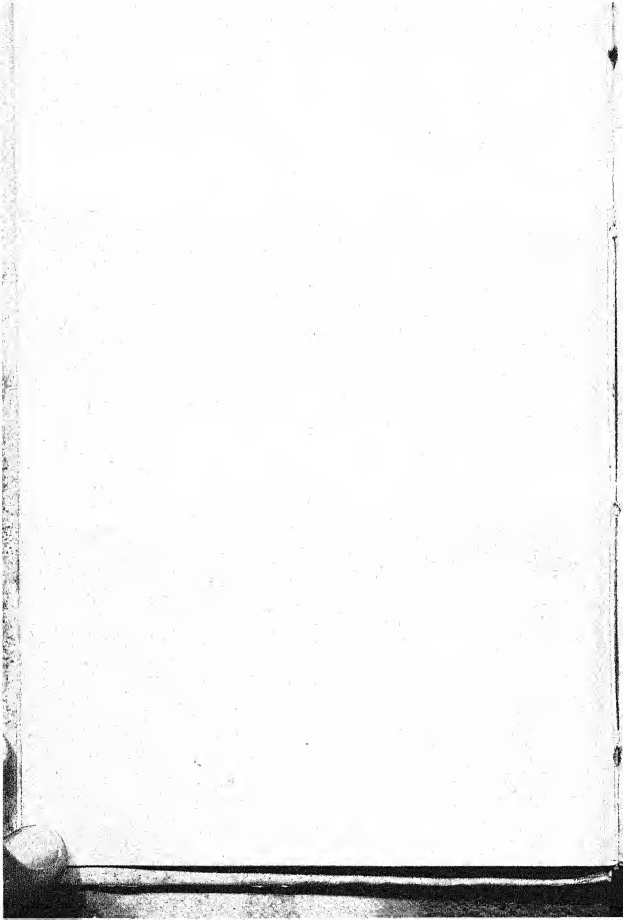
I have made bold to take up the work in hand and complete it even in face of these difficulties with a view to attract the attention of economists, research workers and others to the importance of this task and to give a starting point to the discussion of the various aspects of the vital problem. It is also my hope that this book might contribute to a clear understanding of the principles and issues involved in the matter. If I could succeed even in a small measure in achieving this purpose, I will deem my labour more than amply rewarded.

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A. N. AGARWALA

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## CHAPTER 1

### THE SOCIAL INSURANCE APPROACH

The Atlantic Charter may be dead or alive, but it is certain that Article V of this Charter which promises "for all improved labour standards, economic advancement and social security" is more than a formal record of a tendency which was making a distinct mark even before the outbreak of the present war and which has since become a fairly universal and essential ingredient of the post-war planning ideology. Social insurance originated in Germany, and its course and nature have since been much influenced by the 1883-1889 German legislation<sup>1</sup> associated with

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<sup>1</sup>Germany was the first country to introduce social insurance. On November 7, 1881, Emperor William I urged upon the Reichstag to adopt social insurance. It, however, took some time for the system to be actually introduced and unemployment insurance was, in fact, instituted as late as 1925. The first law, which provided for sickness insurance, was passed on June 15, 1883, and came into operation with effect from December 1, 1884. The second law, which provided for workmen's compensation on a compulsory insurance basis, was passed on July 6, 1884, to come into operation from October 1, 1885. The third law providing for old age and invalidity insurance was passed on June 26, 1889, and became effective on January 1, 1891. All these three laws have been considerably amended since their origin but their basic principles still remain unchanged. See H. Harbutt Dawson, *Social Insurance in Germany* (London, 1912), and also J. Kuczynski, *A Short History of Labour Conditions in Germany under Fascism* (London, 1944).

the name of Bismarck.<sup>1A</sup> More recently, however, its wide-spread progress has been largely the result of the activities and efforts of the International Labour Organization which deserves all the credit for its valuable work in this regard. The International Labour Conference entered upon the task of drafting standards of social insurance laws in 1920, which represented the highest common factors of the legislation of this type in force in the majority of the industrial countries of the world; and its efforts in this direction have been a continuous chain of successful work. In 1919 it adopted conventions on maternity benefits; in 1921, 1925 and 1934 on workmen's compensation; in 1927 and 1936 on sickness insurance; in 1933 and 1934 on invalidity, old age and survivors' insurance; and in 1934 on unemployment insurance.<sup>2</sup> These conventions have been ratified by many countries and closely followed in several others which have not yet ratified them. For a country intending to adopt a system of social insurance for the first time, they constitute a model to follow and approximate. The year 1938 marked another epochal event in the history of social insurance in the world when the New Zealand Social

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<sup>1A</sup> That this Iron Chancellor of the German Empire was responsible for the origin of social insurance, is a fondly debated topic. See, for instance, Manes, *Insurance; Facts and Problems* (New York, 1938), pp. 104-105, as also Mowbray, *Insurance: Its Theory and Practice in the United States* (New York, 1937), p. 5ff.

<sup>2</sup>See I.L.O., *The International Labour Code* (Montreal, 1941), pp. 25-39 and 289-370.

Security Act was passed which provided for a universal and compulsory social insurance system financed, *inter alia*, out of a social security tax. This would have surely affected the course of events materially but for the fact that after a year since that date, that is on September 3, 1939, the world saw the beginning of one of the bloodiest international conflagration. The war, however, produced a two-sided effect on this progress. While it depleted the national resources which could be devoted for financing civilian needs including social insurance schemes on the one hand, it greatly strengthened the necessity of introducing, or promising to introduce, social insurance measures on the other. For, among civil measures which contribute to a country's power of defence, social insurance, by welding together the different strata of the population in a common purpose, by mitigating injustice, by protecting the people's health, and by alleviating economic anxieties, stands foremost.<sup>3</sup>

Planning of social insurance can now be regarded as an integral part of the wider issue of economic planning; and even with regard to the latter it has come to be clearly realized by this time that within the framework of democracy the war can be fought more successfully and bravely by people who know what the post-war period promises them. There has, as such, been feverish activity on the part of the various countries of the world to draw up

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<sup>3</sup>Maurice Stack, *Social Insurance in Latin America*, INTERNATIONAL LABOUR REVIEW, July, 1941, p. 1.



the pictures of post-war planned economy and to understand and explain their significance from the *per capita* income and standard of living angles<sup>4</sup>.

The problem of social insurance planning was, however, taken up in the various countries of the world much before this realization came, with the result that while the pictures of post-war planned economy are still incomplete or have not yet emerged out of the stage of ideological debates or opinion-differences relating to essential details, plans of social insurance and social security have in several cases been already finalized and made ready for being put into practice. The Beveridge Report on British *Social Insurance and Allied Services* published in London in 1942 has become the talk of the world and is on the tip of every tongue, and its introduction may perhaps only be a question of time. In the United States of America, the long deliberations of the U.S. National Resources Planning Board resulted in their drawing up of a social security plan which was published early in 1933 and which is the basis of the already framed Wagner-Murray-Dingell Bill. In Canada, Leonard C. Marsh reported his social security proposals—shortly known as Marsh Plan—in 1943 which were published under the title, *Report on Social Security for Canada: The Requirements for Postwar Planning*. The whole world is literally ringing with the talks of social insurance and social security so as to

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<sup>4</sup>Cf. my book, *Pessimism in Planning* (Allahabad, 1944), Chapter I.

make even the less fortunate countries like India turn their attention to such problems.

Ours is a country to which the Atlantic Charter does not apply. As soon as the Atlantic Charter was declared, Mr. Churchill lost no time in making it clear that it has no application to India, which has spread great discontentment in this country even among official ranks.<sup>5</sup> The introduction of social insurance in India, as such, is not one to which His Majesty's Government, the sole arbiter of our destiny, are sworn or committed. We no doubt know that Mr. Ernest Bevin, during the course of a speech on the opening day of the London Meeting of the Emergency Committee in April, 1942, declared that—

This is something to strive for, but this does not apply to one country ; it applies universally, irrespective of colour or race. It really means the end of exploitation as we knew it in the nineteenth century.

But we are equally well aware that the gulf between profession and action is, in such matters, generally very wide where the question of India comes up ; and even the establishment and realization of an ultimate idea usually involves an almost indefinite time-lag. We in this country have therefore little reason to go jubilant over such a high-sounding but empty phrase as the Atlantic Charter. But if despite all this, the Government of India have recently taken some preliminary steps in the

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<sup>5</sup>See R. Coupland, *The Cripps Mission* (Calcutta, 1942).

direction of introducing social insurance, they are to be congratulated for their timely action, their being alive to the current trends in social sphere, and their bold outlook and action. It, of course, remains to be seen how far can they go in this respect. But they have taken up the question and the stage has been set for a thorough discussion of the whole problem of social insurance, in its theoretical niceties, and what is more important, in its applied aspects in relation to this country, for as has been rightly said, this problem presents itself in terms of a national situation.

#### INSTITUTIONAL GROWTH OF SOCIAL INSURANCE

It would be useful at this stage of our study to rapidly survey the growth of social insurance and to have a precise and clear notion regarding its true meaning and implication. Human life is subject to many risks some of which curtail or stop his income. They can be conveniently got over if he has an accumulated fund of past savings, and logically they affect those most adversely who are without such a fund. Under Capitalism the risk of a loss or stoppage of income hangs like a Damocles' sword on the head of workers whose extreme poverty does not leave them a saving margin on which they can fall back in such times. The consequence is an occasional spell of serious and wide-spread misery and an extremely depressed standard of living which might lead in course of time to pauperism and destitution. One's savings apart, the family has long been

the first line of defence in such times. But the institution of family can cope only with limited misfortunes. In the case of a calamity, an appeal may be made to a wider circle, say, to neighbours or members of one's tribe; it was, indeed, in this manner that the system of charity and alms grew up. In European countries, this had religious sanction behind it and such tribal aid was dispensed by the priest. When the ecclesiastical order was replaced by the secular order, the poor relief method was adopted, which marked the beginning of the adoption of rational and systematic methods to deal with the vast problem of want. The celebrated English Poor Relief Act was enacted in 1601 and was the model for other countries to follow. Poor relief was originally a responsibility of the commune or parish having little resources; and as the individualistic middle class democracy regarded pauperism as a sin, the receipt of poor relief involved loss of voting right. The two main evils of poor relief, *viz.*, unequal benefits and inefficiency associated with smaller units called for the next stage of evolution, and social insurance "took over from poor relief the responsibility of maintaining income, up to a certain level, in a series of well-defined contingencies involving loss of earnings. However, apart from social insurance, and parallel with it in its early development, there grew up a secondary movement to rationalise and improve poor relief for certain categories of needy persons, notably the aged, widowed mothers and the unemployed. These

special forms of relief constitute social assistance. Social insurance in its later development has tended to absorb social assistance.”<sup>6</sup> Under these schemes, the area of operating unit began to extend—from parish to a group of parishes, then to a province and finally to the Central Government. Benefits began to be given as legal rights without involving any social disability.

#### MEANING AND SCOPE OF SOCIAL INSURANCE

Social insurance is characterized by certain well-marked features which can be easily pointed out. Firstly, it involves the establishment of a common monetary fund out of which all the benefits in cash or kind are paid and which is generally built up out of the contributions of workers, employers and the State. The contribution of workers is merely nominal and is kept at a low level so as not to exceed their paying capacity ; whereas employers and the State provide the major portion of the finances. Naturally in such a case there can be no close correspondence between workers’ own contributions and the benefits granted to them, which is the second important feature of social insurance. These benefits are kept within fixed limits so as to ensure the maintenance of a minimum standard of living to the beneficiaries during the periods of partial or total loss of income, which is the third distinctive feature of social insurance. Fourthly, benefits are granted as a matter of right and

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<sup>6</sup>I.L.O., *Social Security : Principles* (Montreal, 1944), p. 1.

without any means test so as not to touch beneficiaries' sense of self-respect. Finally, social insurance is now provided on a compulsory basis so that its benefits might reach all the needy persons of the society who are sought to be covered.

Social insurance may, then, be defined as *a co-operative device which aims at granting adequate benefits to the insured on a compulsory basis in times of unemployment, sickness and other emergencies with a view to ensure a minimum standard of living out of a fund created out of the tripartite contributions of workers, employers and the State, and without any means test and as a matter of right of the insured.*<sup>7</sup>

Social insurance can now be distinguished from commercial insurance, social assistance and social security, which are used with a certain amount of looseness as well as confusion. The main point of distinction between social insurance and commercial insurance can be easily pointed out. Firstly, commercial insurance is necessarily voluntary whereas social insurance is generally compulsory. Secondly, in commercial insurance the correspondence between premiums and policy benefits is kept actuarially equivalent; and the fund value of a policy represents the present value of the

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<sup>7</sup> Social insurance has been described by Sir William Beveridge as the "giving in return for contributions benefits up to subsistence level, as of right and without means test, so that individuals may build freely upon it."—Beveridge, *Social Insurance and Allied Services* (London, 1942), para. 10. Again, "Social insurance implies both that it is compulsory and that men stand together with their fellows."—*Ibid.*, para. 26.

total premiums thus far paid *minus* the cost of risk borne up-to-date. Such a rigid equivalence is not usual, or common in the case of social insurance. It is not, as a matter of fact, fully possible in this case if only because the contribution of the beneficiary is merely a minor part of the total benefits he is entitled to receive. Thirdly, commercial insurance does not have for its object the maintenance of a minimum standard of living, which is the only inspiring motive of social insurance. Fourthly, social insurance in its modern concept is a unified device and an omnibus provision to meet a chain of contingencies of diverse nature and intensity. Commercial insurance, on the other hand, is generally not of a composite type but usually provides against an individual risk only.<sup>7A</sup>

Social insurance may also be examined in contrast of social assistance with which it is sometimes wrongly identified. A social assistance scheme is a device according to which benefits are given as legal right, to workers fulfilling prescribed conditions, by the State out of its own resources. Such schemes have been established since 1900 or thereabout. While it would be fruitless to discuss if they preceded social insurance measures or *vice versa*, it is clear that they are supplemental, rather than substitutive, to social insurance. Indeed, the scope of social insurance has its own limitations which necessarily call for social

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<sup>7A</sup> For a detailed discussion, see Manes, *Op. Cit.*, Chapter VIII, pp. 103-119.

assistance with a view to establish a complete system of social security. However, the differences between these two are important and may be briefly stated. Firstly, social insurance is only partly financed by the State whereas social assistance is purely a Governmental affair. Secondly, social insurance is granted to those who pay a contribution whereas social assistance is given gratis.<sup>8</sup> Social insurance, thirdly, does not insist upon a means test and benefits are granted without it; whereas social assistance is given only if certain prescribed conditions are satisfied. Finally, in social insurance some proportional relationship, though remote and indirect, is sometimes sought to be maintained between the contributions and benefits in respect of an individual insured, but such a question does not arise in the case of social assistance.<sup>9</sup> The word

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<sup>8</sup> So important is this point that the following sentence occurs in an I. L. O. publication: "These schemes may have the character either of social insurance or of social assistance: in other words, they may be either contributory or non-contributory from the standpoint of the beneficiary." I. L. O., *Social Security: Principles* (Montreal, 1944). p. 1.

<sup>9</sup> Social insurance generally involves the following features: (i) the segregation of social risks with specialised insurance for each risk; (ii) contributions by prospective beneficiaries; (iii) some relationship between the individual's benefits and contributions; and (iv) the payment of social insurance benefits as a right without the imposition of a means test. As against this, social assistance has the following features: (a) separate provision for selected social dependency need; (b) entire cost of social assistance borne by the State; (c) the application of uniform and



*insurance* in the term "Social Insurance" implies the preservation of the contributory principle just as the word *social* implies its difference from commercial insurance.

It would thus be seen that social insurance ranges between social assistance and commercial insurance. While social assistance is based upon the idea of the obligation of the community towards its needy members and is granted without involving any contribution from recipients of such assistance, commercial insurance does not call for any assistance or contribution from the community and is purely a private contract. Social insurance, however, requires contributions from the State as well as the insured. Again, as said above, the question of equivalence between the recipient's contributions and benefits does not arise in the case of social assistance; it is the most important feature, on the other hand, of commercial insurance. In the case of social insurance, only a sort of proportional relationship is sometimes maintained between the amount of benefits and contributions of the insured though generally speaking it is more and more gravitating to the principle, "From each according to his capacity and to each according to his needs." In other respects as well, the position of social insurance is midway between commercial insurance and social assistance.

It should be remembered that it would be

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statutory means test—Samuel Eckler, *Modern Security Plans and Unemployment*, INTERNATIONAL LABOUR REVIEW, November, 1943.

wrong to fancy that social insurance can alone solve the entire question of want, income maintenance and adequate protection of a minimum standard of living. Social insurance, as a matter of fact, has a scope narrower than that of social security. Full social security can be secured through social insurance *plus* the schemes of social assistance, *e.g.*, non-contributory pension in respect of old age and invalidity, mother's pensions and unemployment assistance, medical assistance and, most recent of all, rehabilitation of the disabled.<sup>10</sup> To them may also be added, as Sir William Beveridge has rightly done, voluntary insurance. According to him social security can be provided by three distinct methods: "social insurance for basic needs; national assistance for special cases; voluntary insurance for additions to the basic provision. Social insurance means the providing of cash payments conditional upon compulsory contributions previously made by, or on behalf of, the insured persons, irrespective of the resources of the individual at the time of the claim. Social insurance is much the most important of the three methods, and is proposed here in a form as comprehensive as possible. But while social insurance can, and should, be the main instru-

<sup>10</sup> "At the opening of the present century these traditional approaches had given rise to two main currents in the social security movements: social assistance, representing the unilateral obligation of the community towards its dependent groups, and social insurance, based on compulsory mutual aid. Both approaches are needed in a complete programme of social security."—I. L. O., *Approaches to Social Security* (Geneva, 1942,) p. 2.

ment for guaranteeing income security, it cannot be the only one. It needs to be supplemented both by national assistance and voluntary insurance. National assistance means the giving of cash payments conditional upon proved need at the time of the claim, irrespective of previous contributions, but adjusted by consideration of individual circumstances and paid from the national exchequer. Assistance is an indispensable supplement to social insurance, however the scope of the latter may be widened. In addition to both these there is place for voluntary insurance. Social insurance and national assistance organized by the State are designed to guarantee, on condition of service, a basic income for subsistence. The actual incomes and by consequence the normal standards of expenditure of different sections of the population differ greatly. Making provision for these higher standards is primarily the function of the individual, that is to say, it is a matter of free choice and voluntary insurance."<sup>11</sup>

But broadly speaking it is true that according to current practice and thought, social

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<sup>11</sup>Beveridge, *Op. Cit.*, para. 302. Dr. Manes writes in this connection: "There are private insurance fanatics and there are social insurance fanatics, each one exaggerating the advantages of his own, and the disadvantages of the other's system...Neither of the two systems is so completely without faults as its proponents would have us believe, nor is it as bad as its enemies like to point out. At least it would be a great mistake to overestimate the results which any insurance plan can bring. None will ever be a panacea."—Manes, *Op. Cit.*, p. 119.

importance is the most important and greater part of social security. Social insurance is the corner-stone of the Beveridge Plan of social security; and the projected social security plan of the United States is after the Beveridge pattern. The Marsh plan of Canada can also be said to be substantially, though not in every respect, to follow the Beveridge model. It is only in the New Zealand Social Security Act of 1939 and in Australia that benefits provided appear to be of the nature of social assistance as they place greater stress on the social assistance principle. In these countries, income security has come into being through the extension of social assistance to wider categories of needy persons—to the sick, the unemployed, the aged, the invalid, widows and children. In New Zealand, every resident has to contribute a social security tax equal to 5% of his income on the pains of loss of cash benefits; and the latter have no relation to the number or rate of contributions paid. The scheme that Australia is developing is financed mainly from the general income-tax. But in the European and American country, the contributory system has become the general rule as it is supposed to contain "a fair reciprocity of rights and obligations;" and there are very few countries to-day which would willingly set up non-contributory income security schemes. It may as such be safely asserted that social insurance is at the present moment the major part of social security.

The above discussion suggests some impor-

tant limitations of social insurance which should be clearly realized. (i) Social insurance attacks only want and provides merely income, security. "But Want is one only of five giants on the road of reconstruction and in some ways, the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness."<sup>12</sup> (ii) Even in this limited field of removing want social insurance is assisted by social assistance and commercial insurance, without which complete social security cannot be provided. (iii) Then, again, social insurance does not have any structural significance, so far as the organization of the society as a whole is concerned. In other words, it does not go to the root of the trouble and does not seek to change the distorted or diseased portions of our social foundation or its superstructure. On the other hand, when the trouble has occurred, social insurance is there to see that the income deficiency is made good by grants. There has, indeed, been much emphasis of late on the preventive functions of social insurance, but it goes without saying that the preventive arm of social insurance can never be extended to the extent as to become co-extensive with the very plans for removing our present-day social and economic evils, root and branch.

But in spite of all these factors, the fact remains that social insurance is the most important practical and modern device of solving the extremely difficult and pressing problem of want.

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<sup>12</sup> *Ibid*, para 8.

## CHAPTER 2

# THE NEED OF SOCIAL INSURANCE IN INDIA

Despite the rapid and widespread progress of social insurance in the world during the inter-war period and since 1939, the question of its introduction in this country did not receive any official attention till very recently; and the problem was viewed merely as an academic topic and remained the haunting ground of a few explorers into the realm of labour and social problems. Whatever thought was bestowed by the various Committees, Commissions and officials was confined mainly to a few branches, *viz.*, health insurance, unemployment insurance, provident fund and retirement pension for workers, and that too towards the close of the third decade of this century and thereafter. It is only since the publication of the Beveridge Report that the omnibus phrase of "Social Insurance" has begun to appear in thoughts and writings of the people and the Government of this country more than ever before, and an approach is now being made in the official parlance from the angle of an examination of the possibility of its introduction in India. But despite all this long-continued indifference, there could never have been two opinions on the subject of the desirability of setting up, only if we could afford it, a social insurance system in this country.

The exposition of the necessity of social

insurance system is not a path-breaking task; for its necessity to India cannot be argued without carrying the discussion beyond the limits of reason and propriety. It is a well-established fact that ours is a very poor country; and the wages which our workers get are much lower than what their compeers obtain in foreign countries. Even absolutely speaking, they are so niggardly as to prohibit anything but a below-subsistence standard in the case of all except the highly paid workers. Detailed wage surveys have not yet been carried in this country but the labours of the various Committees, Commissions and official and non-official surveys have established very definitely that, in the first place, these wages are extremely low and, in the second place, they vary within a very wide range. So important, indeed, is the latter point that it would be statistically unpardonable to speak of the present national wage in India as a single figure, for every statistical average that can be calculated would be misleading and inaccurate in the extreme.<sup>1</sup> However, if the nominal or money wages of Indian workers are very low, their real wages

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<sup>1</sup> "Wage rates and earnings vary widely between the different provinces and industrial areas of India. In 1929, wage statistics for several groups of semi-skilled workers showed that, whereas in Bombay Presidency only 13 per cent. of the workers earned less than Rs. 17½ per month, the corresponding percentages were 31 per cent. in Bengal, 47 per cent. in Madras and 53 per cent. in the United Provinces, thus showing that wage levels are considerably higher in Bombay Presidency than in other areas in India." *I. L. O., The Workers' Standard of Living*, (Geneva, 1938), p. 83.

are lower still; for the Indian worker is used to make purchases on credit in which case the prices he has to pay are higher than the current cash prices in the market, and the quality perhaps is also inferior; moreover, he makes petty transactions, involving small quantities, which do not reflect the fall in prices when it takes place in the market.<sup>2</sup>

It is, indeed, surprising how does the Indian labourer maintain himself and his family on such an insignificant income. Unless he belongs to the fortunate small upper-class level of workers' population which gets satisfactory wages, how to make the two ends meet is a constant and troublesome problem to him. The wages are reported to be so low in several parts of the country that even with the best of wisdom and care, the worker cannot acquire all the essential things necessary to maintain a minimum standard; but the conditions in which he has to live make the exercise of complete wisdom almost impossible. Drink and drugs, occasional visits to cinema and like amusements and some spendthriftness on festivals and ceremonial occasions, claim a fair share of his hard-earned, though scanty, income. It has been calculated that no less than 4 to 10%—the figure varies inversely with the amount of income—is spent on drinks alone. To these factors must be added up the sum that has to be disbursed by way of interest payment, debt liquidation and cost of the visits to vil-

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<sup>2</sup>Cf. for instance, B. Shiva Rao, *The Industrial Worker in India* (London, 1938), p. 130.



lages, which are also important items of expenditure in the worker's budget. Recent investigations go to show that no less than the two-thirds of the workers are buried in debt the amount of which on an average exceeds three months' wages. A good part of the workers' scanty wage is claimed by all such items which are usually as unavoidable in their nature as food, shelter and clothing. If a generalisation regarding distribution of the worker's expenditure is made, it would be found that nearly 80% of their income is spent on food, fuel, shelter and clothing and the rest of it is in most cases inadequate to take care of the avoidable but fixed expenditure of the type mentioned above. In the case of the very low paid workers, even bare subsistence is impossible without borrowing. The incomes are so slender as to forbid any margin for savings and there is thus no accumulated fund of past savings on which workers can fall back when their monthly budget runs into a deficit. Sickness, unemployment, temporary disabilities, untimely death of an earning member of family are, therefore, the occasions when either the workers must take loans if they can or suffer an almost limitless depression in their already depressed standard of living. Even if they are prepared to borrow, there is a limit to which they can be trusted, and which is too narrow to let them obtain adequate redress for any considerable length of time; and this, moreover, while helpful to them temporarily, becomes a constant drain on their earnings and makes them perpetually poor.

Unfortunately, the so-called social risks to which the worker is exposed in this country are very acute and rigorous in their incidence and operation. The incidence of major diseases like malaria, cholera, plague, influenza, kala-azar, hook-worm, etc. is extremely acute in highly crowded and congested industrial areas and hundreds of persons are carried away in each locality annually by such diseases while the many more who survive their attacks are left greatly weakened and inefficient. But usually there is no satisfactory arrangement for their proper treatment, hardly any for their income maintenance, and absolutely none to bring them to speedy recovery and normal health. The whole family suffers from acute shortage of means of subsistence in such times. Nor is the condition any the better during periods of unemployment. Thanks to the scarcity of labour in our industrial regions, the type and volume of unemployment common in the industrialised countries of the West is not generally known to us ; but there are periods of economic depression, lock-outs and unemployment when the worker finds his income suddenly curtailed or stopped. Unemployment has been described as the "worst and most extended of the industrial evils of today," the "shadow-side of progress." In the words of Joseph L. Cohen, "To the labourer unemployment is his gravest and most appalling problem. It is the paramount evil in his life. His livelihood, his savings, his belongings, the happiness of his household and all he cherishes are continually

threatened by his Damocles' sword."<sup>3</sup> It leads to social evils like destitution, beggary, child-labour, woman-labour, low wages, prostitution and drink. The fear of unemployment leads to an opposition by labour of the adoption of devices meant to increase output lest it might lead to unemployment.<sup>4</sup> It is true that the Indian workers can go back to the village at such a time, but that does not apply to those who have disconnected their rural moorings and have no other recourse but to work in factories or to starve. Even those who can get shelter in rural areas find that they are a burden on the already strained resources of their relations there, and cannot escape a depressed standard of living. Apart from it, at least some of the workers who return to the villages do not come back and the loss of so much trained labour and skill is great misfortune of our industries. There is no denying the fact that there is a great need for some sort of unemployment insurance for our workers which would promote their welfare and maintain their working capacity and efficiency, preserve stable supply of labour to industries, establish industrial peace and in general promote the economic welfare of the society. Spells of calamity also inevitably come when a worker is temporarily disabled, or when the only bread-winner of the family dies leaving behind

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<sup>3</sup> Joseph L. Cohen, *Unemployment Insurance* (London, 1921), p. 18.

<sup>4</sup> *Ibid.* See also Hutt, *Plan for Reconstruction* (London, 1943).

him a widow and orphans and other dependents uncared for, or when he is permanently disabled or retires or becomes old and superannuated. There is absolutely no protection against these occasional visitations and in their wake follows the old old story of greater indebtedness, still lower living standard, loss of working capacity and reduction in productivity, and general drift away from the life of an industrial worker which is pursued regularly and consistently only under the stress of utter helplessness to find any non-industrial service either temporarily or permanently. It is thus clear that a very important reason of the poverty and low standard of workers is the occurrence of sickness, unemployment etc. which interrupt his income and which are therefore the periods of sudden depression in the ways and methods of living and when the conditions of life create sustained and lasting repercussions on the already low efficiency of the workers. The occasional interruption in worker's income is the most potent cause of his poverty all the world over. For instance, many pre-1939 scientific studies in a number of principal British towns like London, Liverpool, Sheffield, Plymouth, Southampton, York and Bristol have revealed that among the workers whose standard was lower than the minimum subsistence level, the operating cause in 75% to 80% cases was the interruption in regular income. In the remaining 15% to 25% cases, the main cause was larger family. Both these causes can be adequately dealt with by social insurance.

Such studies have not thus far been made in this country but it is apparent from everyday experience and observation that India is no exception to this general rule. It is true that in India the wage levels are so depressed that the conditions of the workers would be bad enough even if this income is regularly maintained, but granting that this is so, it would be conceded that they are rendered extremely worse because of the fact that even this low income is not available to the worker all the time. The establishment of a proper social insurance system is the only way of escape from this miserable and unhappy situation. Again, the ultimate effect of social insurance is to increase wages. This is a fact which is well realised in this country. But what is not equally well realised is the fact that social insurance is also the compulsory drafting of a part of worker's total expenditure into fixed and prescribed channels, which is amply warranted by wisdom and usefulness, and is productive of extreme degree of economic welfare, individual as well as social. Social insurance has, therefore, distribution significance and also consumption implication and should be most welcome from both the angles.

Looking directly from the standpoint of the employer and the industry, India is at present suffering from the acute problem of labour instability, turnover and absenteeism. The city provides hardly any sort of protection to the poor workers. There is scarcely a home

worth the name that is available to them and the chawls and over-crowded cells in which the worker has to pass his days are most unhygienic and unhealthy and are the strongest argument for an occasional "off" in the open area of a rural spot. When he falls sick, there is nobody to take his care. When he is thrown out of employment, there is none to sympathise with him, to help him, to maintain him. When he is disabled, partially or totally, he is neglected like scrap. When he is old, he is thrown out like waste. In all such visitations of miseries and misfortunes, the only place of refuge is the village to which the worker reverts and to which he continues to pay frequent visits lest this much-needed connexion might break. It is true that a truly industrial proletarian class is coming into being in India, but it consists of only those workers whose village nexus has been somehow snapped; and such a class, so necessary for a rapid and large-scale industrialisation of the country, would surely swell beyond all expectations if a proper, adequate and attractive system of social insurance is established and is operated and executed without even a shadow of the antipathy, hatred and officiousness with which the labour welfare work, Government medical and hospital work, and labour administration have been hitherto traditionally associated. The best method of keeping the worker at his job is not to condemn him or censure him for his lack of concentration, for his home-sickness and for his irresponsibility, but to make it worth his while to

remain in town, and by providing adequate provision in times of sickness, unemployment, disability, old age, etc., ensure him a reasonable standard of living at all times. If modern industrial mechanism looks to the welfare of the worker in a genuine manner, the worker would surely look to its welfare and continuity in turn. Social insurance is, from this angle, the best substitute for the old personal relationship between the employer and the worker; and particularly in a country like India, is of very great importance. If in Britain and Germany, social insurance was and is necessary for humanitarian reasons, for improving the lot of workers suffering the excesses of industrialism helplessly who have no alternative occupation to follow, in India it is absolutely essential for making the industrialism at all work and expand, for workers here can at any time return to their villages, their plough, their field, where in open air and healthy surroundings, in the midst of the chirpings of birds and in the closeness of their kith and kin, under the shadow of trees and beneath swimming clouds, helped by their few wants and neighbourly spirit of mutual assistance, they can earn an honest living, escape from the evils of industrialism and get mental peace. It is not the mischief of the worker that he makes the choice; it is the evilness and oddity of our social and economic organization which compels him to exercise his right of picking and choosing.

This sort of uncertainty and risk was not

the lot of the Indian workers some time back. But a sort of silent change has been coming over for some time past in our social and economic relationship. The basis of social life has changed from status to contract, and the life of the masses has become exposed by newer forms of insecurity. The family ties have been generally broken asunder and tribal and group charities have become less common. Industrial workers, in particular, has suffered the full impact of this change, and there is an urgent need of the modern institution of social insurance that can meet with the injuries inflicted by the untampered growth of industrialism. As was aptly observed by the Hon'ble Dr. B. R. Ambedkar at the 2nd Plenary Labour Conference, it would now not be enough to make the industrial development of India our goal: such industrial development would have to be maintained at a socially desirable level. And in securing this desirable end, social insurance would no doubt have to play a leading part.

The need of social insurance is particularly great in India because of the fact that other forms of social security have hardly any chance of success and establishment in this country. In the highly industrialised countries of the world, social insurance is regarded, within certain range, as better than social assistance; but a country so industrially backward and poverty-stricken as India really has no such choice to make. Our national wealth, thanks to exploitation, drain and neglect, is no longer an actuality but only a potentiality which has



yet to be realised ; and at the present time our Government do not perhaps have the funds to finance a costly social assistance scheme, or they lack the willingness to divert a portion of large funds now devoted to defence even in the most peaceful of the peace times, to nation-building activities. Nor do we possess any extensive system of medical aid or of pension etc. by extending which a national system of social assistance could be easily set up. Due to reasons like these, we can adopt only a social insurance system and not a social assistance scheme unless an economic plan is put into action and works itself out up to a certain stage, which, we fear, is a cry in the wilderness for some time to come. In this respect, we resemble not so much the highly industrialised countries of the world like U. K., U. S. A., Germany and Japan as some of the Latin American countries which seem to be in the same stage of economic evolution as India.

If the need of some sort of protection against the contingencies discussed above is granted, it would be appreciated that social insurance is the best method of assuring the individual "that protection against common risks of life which his own efforts do not avail to provide."<sup>5</sup> The Second Labour Conference of the American States Which are Members of the International Labour Organization held at Havana, Cuba, in December, 1939, expressed its conviction that "compulsory social insurance

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<sup>5</sup> I. L. O., *Approaches to Social Security*, (Montreal, 1942), p. 1.

is the most rational and efficient means of providing the workers with the security of health and livelihood to which they are entitled."<sup>6</sup> It possesses certain solid advantages not to be found in other competitive methods. It associates the workers by requiring them to contribute, both materially and morally in the protection of their health, efficiency and working capacity. It grants benefits in virtue of definite rights and thus preserves the self-respect of the beneficiary. It guarantees the payment of benefits by assigning definite resources for the purpose. It implies the establishment of an autonomous institution solely devoted to the triple object of prevention, maintenance and restoration.<sup>7</sup> The provision of such a system must be regarded as the very fundament of economic and social peace and prosperity in every country of the world. We, in this country, are as much entitled to its benefits and advantages as U. K., Germany or America; and the conditions must be consciously so shaped and moulded as to become favourable to the setting up of a social insurance system in this country.

It would be a mistake to imagine that the only reason why social insurance system must be established in this country is this that it is the best method of income maintenance; its scope in the modern sense is indeed much wider. Today social insurance can be said to have

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<sup>6</sup> *Vide* the Resolution of the Second (Havana) Labour Conference of American States.

<sup>7</sup> *Ibid.*

triple functions, *viz.*, prevention, restoration and maintenance. Firstly, it tries to prevent the operation of the causes which result in a partial or complete loss of working capacity. Secondly, it aims at restoring the lost working capacity, within possible limits, as early and fully as can be done. Thirdly, its function is to supply the means of subsistence and maintenance during the period of cessation or interruption of gainful activity. No self-respecting and progressive country can leave its working classes to their own meagre resources and keep them immune from the advantages of this institution with any show of fairness and justice. Indian workers have already such a low standard of living and there is so much waste of labour and efficiency at present that every effort has to be made to preserve their working capacity, and of all such measures social insurance is the most urgent and the most important.

Because of all these considerations, it has now been generally recognised and agreed upon that social insurance is, from a long-range point of view, an excellent form of investment of a society and results in surprisingly large yield in terms of economic prosperity and human happiness. In the words of the Royal Commission on Labour, "Even a small step in the prevention of these ills would have an appreciable effect in increasing the wealth of India; a courageous attack on them might produce a revolution in the standard of life and poverty."<sup>8</sup>

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<sup>8</sup>*Report of the Royal Commission of Labour (Delhi, 1931), p. 244.*

Social insurance is the best method thus far devised by the countries which are concerned "to increase their production, and to raise the standard of living and biological value of their workers in town and country."<sup>9</sup>

The principle of social insurance has now received official recognition everywhere and is the result of the candid realisation that material progress calls for the establishment of a system of social insurance. India must learn from the lessons of other countries of the world and keenly follow their very salutary practice. "Bread, a house, adequate clothing, education and good health and, above all, the right to walk with dignity on the world's boulevards" this noble ideal kept before Indian labour by Dr. B. R. Ambedkar at the Second Plenary Labour Conference would merely remain a sweet dream unless a system of full-fledged social insurance is set up in this country.

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### CHAPTER 3

## PRESENT POSITION OF SOCIAL INSURANCE IN INDIA

If the need of social insurance in this country is taken for granted, the next logical step is to enter upon the enquiry as to the present stage of development of social insurance

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<sup>9</sup>Resolution of the Second Labour Conference of American States.

in India. The great lee-way to be made by us in this respect can be brought in sharp relief by first understanding the important parts of a complete system of social insurance, and then applying this measuring rod in making an estimate of our national deficiency in this regard.

The social insurance system of a country, in order to be complete, must provide an adequate cover against all the well-known contingencies from which workers or people might probably suffer, and which deprive them of the opportunity to earn. *Sickness* is the first important risk to which workers are exposed and which makes them a victim of great handicaps and difficulties. During the period of sickness, they cannot often work and their wages as such stop. But this is the time when their expenditure suddenly increases, for speedy cure requires medical treatment which is a costly affair. The consequence is that in the absence of past savings, which hardly few workers have, they either neglect their health and continue to work even when sickness demands rest with very injurious consequences on their health, or they take loans and bury themselves deeper into debt, neither of which conditions are ultimately helpful to them and their efficiency. Closely akin to sickness is *maternity* which affects women workers and wives and female dependents of male workers and which calls for rest and abnormal expenditure. For during at least the advanced stages of pregnancy and thereafter, there is great need of nourishing diet,

undisturbed rest and competent medical attendance. But all these things are beyond the pocket of the worker whose wage is too low to enable him to have even his elemental requirements. The health of the mother and the child is thus greatly neglected. The importance and necessity of maternity insurance are, as such, great. To proceed further, the worker sometimes gets bodily injured while performing his duty or contracts a disease which can be directly traced to the nature of the work he has to do and the processes he is required to handle. Such injuries and diseases are called "*industrial accidents*" and if no compensation is given to the worker in respect of them, the lot of their unfortunate victim would be very hard indeed.<sup>1</sup> It is absolutely essential that he is ensured adequate treatment and cash benefits during the period of his sufferings of this sort. In case such an accident leads to a *permanent disability*, partial or total, he must be suitably compensated so that his standard of living does not suffer any considerable drop as a result. Even when the worker is not performing his duties, he might meet with an accident or suffer from a disease which might continue beyond the period for which sickness benefits are available. These may be called *non-industrial accidents and invalidity*, and pension insurance is the right method of dealing with them. Then there is the hydra-headed problem of *unemploy-*

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<sup>1</sup> The loss caused by this contingency has been computed in several countries. See, for instance, Downey, *Workmen's Compensation* (New York, 1924), pp.1-2.

*ment* which is an inherent feature of the capitalistic mechanism. The worker at times finds that even the meagre wage that he receives is stopped and he is thrown on the street because the industrial machine ceases to require his services. Such a time is attended with great suffering, depressed standard, mounting up debts and waste of the perishable labour. No wonder that many of the Indian workers find escape from such terrible prospects by keeping alive their contact with villages to which they occasionally migrate, even if for a short time, thus creating the problem of labour migration and *budli* arrangements to the great detriment of the industrial efficiency of this country. Unemployment insurance is the only right method of keeping up the efficiency of the workers and persuading them to keep to their job and to their permanent place of employment. *Old age* is still another risk to which the worker is exposed and against which he cannot possibly make any provision. In old age the income of the worker stops and he is left high and dry; and when his frame is unable to withstand the stress and strain of factory work, utter starvation stares him in the face. A miserable death after a life of hard and honest work is an outrageous spectacle; and there is an absolute need of old age pension that should be available to him after retirement at a statutorily fixed age. Another contingency is *premature death* of the only bread-winner of a family when his dependants suddenly find themselves without any source of support and maintenance. Survivor-

ship insurance has been designed to meet this risk; and can be conveniently broken up into two parts, *viz.*, (i) widow's pension and (ii) orphans' pension. The main ingredients of a complete social insurance system may, then, be said to be as follows: (1) sickness insurance; (2) maternity insurance; (3) industrial accident insurance; (4) non-industrial accident insurance; (5) invalidity insurance; (6) unemployment insurance; (7) old age insurance; and (8) survivorship insurance.

Judged from this standard, India is one of the most backward nations of the world in regard to social insurance. The social insurance system has, as a matter of fact, not yet received a start in this country and none of the above-mentioned contingencies has yet been covered by the social insurance device. There have in the past taken place occasional discussions regarding some provision of this nature now against one contingency and now against another, but with absolutely no practical results. The Bombay Strike Enquiry Committee of 1928-29, the Royal Commission on Labour of 1931, the Cawnpore Labour Enquiry Committee of 1938, the Behar Labour Enquiry Committee of 1940 and the Bombay Textile Labour Enquiry Committee of 1940, each had some pertinent observations to make at least on some of these forms of insurance but they all failed to evoke any practical action. These bodies, as their reports would definitely establish, mainly concerned themselves with sickness insurance, making only stray and incidental reference to



old age and unemployment risks, and did not pay even the least attention to other contingencies. The Government of India and Provincial Governments had narrowed down their visions to absolute nonity; for even when they were moving in the only rut of sickness insurance, their dilatoriness and lethargy were superbly patent. The lack of real willingness on the part of the Governments to bear the burden which a social insurance inevitably imposes on the State, has always frustrated the introduction of even a single branch of social insurance in this country. As it is, we cannot boast of possessing even a moderate and rudimentary system of social insurance at the present time.

This does not, of course, mean that there is absolutely no protection of any character whatsoever against these contingencies, that is available to the Indian workers. Some protection there certainly is but it falls short—much short—of social insurance.

The available protection to workers can be divided into two classes: (i) Statutory protection, *i.e.*, protection which the law confers upon them; and (ii) welfare protection, *i.e.*, the protection which the employers have extended to the workers out of their own free will (either because of charitable reasons, or in order to keep the workers pacified, or because they think that this would be conducive to greater efficiency) and which forms part of the so-called labour welfare work which by its very definition is the work voluntarily done by employers for the benefit of

their workers. The statutory protection that has been provided upto now covers only two important cases, *viz.*, (i) industrial accidents, *i.e.*, injuries and diseases suffered by workers while performing their duties, which fall under the Workmen's Compensation Act of 1923, and (ii) maternity in respect of which benefit is available to women workers only in some of the provinces which have enacted Maternity Benefit Acts. Besides these normal and peacetime measures, two special measures have been recently enacted to cover wartime injuries. They are (i) War Injuries Ordinance of 1941, and (ii) War Injuries (Compensation Insurance) Act of 1943, which together give to the workers injured as a result of war operations medical and other relief as well as compensation to the same extent to which it is available under the Workmen's Compensation Act. As would be subsequently explained in greater detail, these measures place the entire financial responsibility in regard to these two risks on employers, and are further vitiated by a number of other defects and shortcomings. The narrowness of this sort of protection is, of course, too obvious to need elucidation.

The labour welfare work is, however, more variegated and perhaps larger in quantity though it would be impossible to adduce statistics or information to prove or disprove this contention, as no relevant data are available. In this region of the voluntary welfare protection, perhaps the greatest work has been done in respect of medical arrangements.

There is no national scheme of sickness insurance at present in operation in this country. Whatever the public authorities have done in regard to the provision of medical help and treatment has been very unsatisfactory in character and insufficient in quantity as compared to the real requirements of the workers. The Government and municipal hospitals and dispensaries, which are extremely few and far between, cannot handle even a small percentage of the total labour force of a locality. The Royal Commission definitely stated that medical facilities have not expanded with anything like the necessary rapidity to meet the needs of the increased population, and in most centres the civil hospitals and dispensaries and the municipal medical institutions are incapable of serving more than a proportion of those in their vicinity. Under the circumstances, the burden has mostly fallen upon the employers who have for sometime past been providing free medical facilities to their workers. Almost all the factories in the country now have some sort of medical arrangement for the benefit of their workers, if not for anything else than for reason that the Factories Act makes it obligatory on them to provide first-aid facilities to their employees. But many have overgrown this minimum statutory requirement. Generally bigger employers provide better facilities. Some of the leading and big industrial units have large hospitals attached to them where excellent medical treatment and attendance are provided and of

which the hospital maintained by the Tata Iron and Steel Co., Ltd., is an obvious and typical example. In the second category come the medium-sized industrial units which have opened small dispensaries where medicines are distributed free to the workers and their other complaints are attended to. Some of them have very wisely made arrangements with local Government and municipal hospital, and more serious cases are sent to these institutions, the employers in exchange giving some donations to the latter or defraying the cost of the treatment furnished to their workers. In still other cases, some local medical practitioner is made to visit the factory twice or thrice a week and attend to the factory operatives.<sup>2</sup>

In some factories at least, the medical arrangement is reported to be working very well. Glowing tributes were paid to the medical arrangements made by some of the employers by the Royal Commission on Labour which awarded the palm in this respect to the Angus Jute Mill Company.<sup>3</sup> In the province of Behar, some big employers have provided hospitals with beds for indoor patients and a complete staff of doctors, compounders and nurses. The hospital at Jamshedpur maintained by the Tata Iron and Steel Co., Ltd., is much the largest of these and is among the best in the whole of India. Many collieries and mines have followed this salutary

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<sup>2</sup>See *Report of the Royal Commission on Labour* (Calcutta, 1931), p. 258.

<sup>3</sup> *Ibid.*

practice. The Tinplate Company of India Ltd., the Indian Copper Corporation, the Works at Kunardhubi, the Jalpa Cement Company and F. F. Chreston & Co. at Domchanch are other notable examples. The Railway Workshops also maintain suitable hospitals.<sup>4</sup> In the Bombay City, of the 85 miles which supplied information to the Bombay Textile Labour Enquiry Committee, 53 or about 60% provided dispensaries. Of these 7 mills have full time doctors and 43 have only part-time doctors while 3 mills have not engaged any doctors but have made arrangements with medical practitioners to call at the mills when necessary. "Forty-six mills," reported the Bombay Textile Labour Enquiry Committee of 1940, "employ full-time and five part-time compounders. Eighteen mills engage assistants as dressers or dispensary boys. In 36 mills in Bombay the medical facilities given at the dispensaries are extended to cover the families of the workers as well. Medical attendance on the workers at their homes is permitted in only twenty mills and that, mostly, in case of emergencies."<sup>5</sup> Similar conditions, more or less, prevail in other parts of the country as well.

It may be incidentally noted that at least in some cases, even trade unions have made efforts to provide medical facilities to their members. For instance, the Textile Labour Association of Ahmedabad maintains

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<sup>4</sup> See *Behar Labour Enquiry Committee Report* (Patna, 1940), p. 100.

<sup>5</sup> *Bombay Textile Labour Enquiry Committee Report* (Bombay, 1940), p. 290 ff.

a hospital with 15 beds and has a dispensary attached to it which is attended, on an average, by 75 to 80 persons daily. The hospital is in charge of an honorary chief medical officer and a resident house physician. The Union has also engaged the services of a visiting doctor who goes round to working class localities, gives medical advice and serves as a liaison officer with hospitals in different parts of the city in order to facilitate admission of workers as in-patients.<sup>6</sup> But such cases are extremely rare and the resources of the Indian trade unions do not generally permit such arrangements.

From the above account the conclusion must not be drawn that the medical arrangements made by the employers as a part of their labour welfare work are perfectly satisfactory, both in points of quality as well as quantity. Far from it, numerous defects have been pointed out, time and again, by labourers and their representatives before several committees and commissions and elsewhere, all of which appear to make a strong case for their replacement by a national system of medical treatment either under the auspices of a sickness insurance fund, or under the auspices of the Department of Health when it would presumably cover the entire population of the country. Their greatest curse is the prevalence of the Government hospital atmosphere of irresponsibility, hatred, abuses and carelessness in which a patient is received not as a suffering brother

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<sup>6</sup>*Ibid*, p 293.

human being who is to be cured of his trouble, but as a necessary evil demanding some extra work from the staff! The extent of help available at some places is reported to be quite inadequate, and complaints have also been made regarding the quality of medicines that are supplied. Apart from these defects, even motives have been attributed to the employers for their keeping a medical paraphernalia which does touch their pockets to a certain degree and which they would gladly like to avoid unless it pays them in some way or the other. It is said that when a worker applies for leave on medical grounds, he is made to submit to medical examination; and the doctor, according to the instructions from the factory manager as to whether some hands can be spared just at the moment or not, recommends or withholds the leave. Even when the doctor makes a favourable recommendation, it is sometimes turned down by the manager. When this happens, in several cases the workers who have not been granted leave, die either while performing their duties or as soon as they come out of the mill gates. This is incidentally an important factor which has vitiated the existing morbidity statistics in this country and their utilization as a basis of a sickness insurance plan for this country has become problematical. It is, again, said on behalf of the workers that as under the Workmen's Compensation Act the range of compensation to be given by the employer depends upon the seriousness of the accident, the employer makes his medical doctor certify (and his certificate cannot be challenged) that

the accident is of a minor order as far as possible. Still again, the medical arrangements are the devices adopted by the Managing Agents and others to appoint their relatives and friends on lucrative posts carrying fat salaries, and are not really intended to be of service to workers.

Apart from the medical treatment and benefit, the questions of leave during the period of sickness and cash benefit so long as the worker is under treatment are also important. But these aspects have received very perfunctory attention in this country. Most of the Government establishments make provision for the grant of leave with pay within limits, which can be utilized when the worker is sick. Some employers also make like provision and even give some allowances. For instance in the Jharia and Raniganj coalfields, 68 mines out of a total of 214, *i.e.* more than 30%, paid sickness allowance in 1929.<sup>7</sup> The Tinplate Company in Behar gives sick leave on full pay for five days; Arras Electric Supply Company for 15 days. Some establishments also pay a subsistence allowance of 4 annas per day for the period of certified sickness.<sup>8</sup> But on the whole such arrangements exist only in a very few establishments and then the bulk of workers are paid so little that this amount cannot make an adequate provision for all their expenditure.

<sup>7</sup> *Report of the Royal Commission on Labour* (Calcutta, 1931), p. 268.

<sup>8</sup> *Behar Labour Enquiry Committee Report* (Patna, 1940), p. 58.



items during sickness. On the whole, then, the contingency of sickness is not adequately and well provided for and there is urgent need of the introduction of sickness insurance which alone can deliver the goods.

The next type of contingency against which some sort of provision has been made in some factories in this country is old age. The methods thus far devised for this purpose are mainly three, *viz.*, pension system, provident fund system and gratuities system. Pension is a certain percentage of the wage that is given to the worker after retirement at a fixed age for the rest of his life. The provident fund system is worked up on the ordinary principle, the worker and employer both contributing to it. The fund is paid off to the worker at the time of his retirement. It is at present given mainly to clerical staff. The employers are slowly realizing the utility of this system and many of them regard it even more important than social insurance, though evidently there is no wholesale alternativity between the two. The Behar Labour Enquiry Committee described the advantages of the Provident Fund by stating that it "is a necessary provision for old age when the worker must retire from industry and may have no sufficient means of support. It is also a means of support to his family in the case of the death of the earner. In the case of those workers who have been completely industrialized in the sense of having no land of their own or any connection with agriculture and among whom the bonds of the joint family

system are likely to be weak, the necessity is very much greater."<sup>9</sup> Gratuity is a certain amount that is paid to the worker at the time of his retirement in recognition of the meritorious services to the establishment. It is, like provident fund, a provision against old age, invalidity and unemployment. It is, however, a comparatively loose form of compensation and is not so satisfactory as the other two methods. Nevertheless, all these systems are followed with varying degrees of efficiency and success.

Pension or contributory provident fund system has been adopted by a few employers, railway administrations and Government Departments. The Royal Commission on Labour stated that only one-third of the Railway workers are actual subscribers to Railway Provident Funds; and the advantage of this system, *inter alia*, is considered so valuable that not only do the railways attract better type of workers but the supply generally exceeds the demand for them.<sup>10</sup> The system is more thorough and comprehensive in the case of railway employees but the low paid workers are excluded from the benefits of the scheme and there are other handicaps and drawbacks besides. In support of the fact that the Provident Fund benefit is available to upper class workers and not to the low-paid labourers, the Royal Commission on Labour gave statistics to prove that on 31st March, 1930, only 31% of railway

<sup>9</sup> *Ibid*, para 117 ff.

<sup>10</sup> *Report of the Royal Commission*, Op. Cit., p. 117.

employees actually subscribed to the provident funds and while 65% of the employees in receipt of Rs. 20 or more per month were subscribers, not 3% of those drawing less than Rs. 20 per month were members. No provision was made for workers drawing less than Rs. 15 per month to join any of the provident funds! Then, under the State Railway Provident Fund Rules, workshop and shed employees can become subscribers, only if they are entitled to a month's notice of termination of service and have completed three years' continuous service. The Commission recommended that on completion of one year's continuous service, all employees should be eligible to join a provident fund, membership being optional for those whose emoluments are less than Rs. 20 but compulsory for all drawing Rs. 20 or more, instead of Rs. 30 per month, which is the usual rule.<sup>11</sup>

The provident fund is quite common with private employers also. In Bombay Presidency, for instance, the Century Mill, the Swadeshi Mill at Kurla, the Kohinoor Mills, the Ahmedabad Advance Mills, the Gokhak Mills etc. have such a system in force. The details, of course, vary. In some cases, the scheme is compulsory while in others it is only voluntary. In the case of certain mills, it is restricted only to clerical and non-manual staff. In Behar, there are about 33 provident fund schemes in operation which apply mostly to permanent workers and to workers whose earnings exceed a fixed minimum. The schemes are worked, among

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11. *Ibid*, pp. 152-163.

others, by Jamshedpur Engineering and Machine Manufacturing Co., the Tinplate Company, the Associated Cement and the Tata Iron and Steel Company, Ltd. Moreover, the system besides not being all-embracing, is not statutorily governed nor does it work according to a set and clear-cut pattern.

Retiring gratuities are not even as common as the provident fund system. The railways give retiring gratuities after a certain period of service, which is very long. The Royal Commission on Labour, therefore, recommended that "the limitation now placed upon the grant of a gratuity to a subordinate on retirement or resignation after 15 years' qualifying service should be modified to permit of his voluntary withdrawal from the service, if so inclined, without any qualification except that of adequate previous notice of his intention."<sup>12</sup> In Behar, several engineering firms grant gratuities. A few mills in the Bombay Presidency also have such a system in force. They give pensions or allowances or gratuities to workers with long and continuous service but the number of workers getting such advantages is negligible. There are hardly any rules regarding the grant of these allowances and the decision of the mill management is final. The workers cannot, again, claim it as a matter of right and everything depends upon the sweet will of the employers. The Bombay Textile Labour Enquiry Committee viewed the proposal of the introduction of gratuities very

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<sup>12</sup>*Ibid*, p. 153 ff.

favourably and suggested that they should be given after fifteen years' service and according to model rules to be framed by the Bombay Millowners' Association.<sup>13</sup>

It is thus clear that there are very great deficiencies in the existing forms of old age coverages. Such a provision is in force in a very small number of factories and mills, each of which covers only a small fraction of the total labour force. The range of protection even for this small percentage is very meagre and is further vitiated by the absence of any set rules or the grant of concession as a matter of right to the workers. The situation is, indeed, far from being ideal.

Besides these two spheres, sickness and old age coverages, nothing worth the name has yet been done by the employers voluntarily for providing protection to their workers against a whole series of contingencies and risks to which the latter are exposed. Add to this sickness and old age provisions, the industrial accident and maternity benefit protection that has been statutorily furnished, and you get the complete but disappointing picture of all that has been done in this direction in our country thus far. In this, provisions against unemployment, invalidity, premature death and non-industrial accident have no place. The extent of social security that is available to Indian workers is, indeed, extremely limited both in

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<sup>13</sup>*Bombay Textile Labour Enquiry Committee Report* (Bombay 1940), pp. 319-20 ff.

quantity as well as quality and is in sharp contrast to the international labour standards. India has not ratified social insurance Conventions of the International Labour Organisation nor has she made an effort to keep pace with, or walk into the footsteps of, the leading industrial nations in this salutary direction. All the protection that has hitherto been given to the workers for what it is worth, is exclusively financed by employers, voluntarily or compulsorily, which leads to several evils of which not the least important is the tendency to evasion which is almost universal and persistent. In this direction, indeed, India's primitiveness is complete. A really representative Government of the people would not have allowed this policy of drift and *laissez faire* to continue for any length of time, especially in a world where active State interventionism to ameliorate the lot of the labour has been a rule, to which in principle India has consistently agreed.

Fortunately things appear to have taken a turn, let us hope for the better, since 1943. The Labour Department of the Government of India has been lucky to get an excellent team of active and sincere workers. The Hon'ble Dr. B. R. Ambedkar, the Labour Member, the Hon'ble Mr. H. C. Prior, the Secretary and a whole host of very able officers like Mr. D. S. Joshi, I. C. S., Deputy Secretary, to whom a good deal of credit for all that is being done is due, and Mr. B. P. Adarkar, a first-rank economist of the country—all have made a combination which

must necessarily lead to unabated progress, in so far as they can help, in all matters relating to labour, including social insurance. In the Labour Ministerial Conferences it was the Labour Department which initiated the proposal regarding the introduction of sickness insurance in this country once again, and this time with success. And early in 1943, the Government of India appointed Mr. B. P. Adarkar of the Allahabad University a special officer to draw up a scheme of sickness insurance for India. It is hoped that the scheme is ready by now and is receiving the favourable consideration of the Government, employers and workers, though no official pronouncement on this aspect of the matter has yet been made.<sup>14</sup> We anxiously await developments in this direction and would be happy to see its introduction at an early date. It would, we feel, be inadvisable to put this scheme in cold storage till decisions have been taken in regard to social security or national health plan, both of which are extremely doubtful propositions from a practical angle.

Breaking all previous records, the Labour Department took even a bolder step one year later, *i.e.* in 1944, when they appointed the Labour Investigation Committee. It seems that in recent years the Government of India in this Department have been keeping themselves fully abreast of contemporary developments and have been increasingly influenced

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<sup>14</sup> Since this was written, it has been announced that Mr. Adarkar has submitted his Health Insurance Report.

by the ideas of social insurance and social security which have been spreading like wild fire throughout the world. And this has led them to quicken their steps in the direction of social security. The Tripartite Labour Conference, at its meeting in September, 1943, unanimously passed the following resolution :

This Tripartite Labour Conference recommends that, with a view to provide adequate materials on which to plan a policy of social security for labour, the Central Government in co-operation with the Governments of Provinces of British India, Indian States and the Chamber of Princes should immediately set up machinery to investigate questions of wages and earnings, employment and housing and social conditions generally, and that as soon as possible after receipt of the required statistics and other data, the Central Government should appoint a mixed Committee to formulate plans of social security.

This obviously was a very bold resolution to pass in a country which had had no social insurance tradition, where social insurance measures have suffered from chronic neglect, and where even the talks of postwar planning had remained extremely vague until very recently. In this Conference, the Labour Member himself emphasized the need of social insurance for India and claimed for Indian workers, in terms which could not be excelled even by an extreme labourite, "bread, a house, adequate clothing, education and good health, and, above all, the right to walk with dignity on the world's boulevards." It was mainly because of his initiative and inspiration that this resolution was passed.



In pursuance of this resolution and in order that information may be collected bearing upon various aspects of social security, so as to enable the Planning Committee subsequently to be set up to draw up a programme of social security for labour in India, the Governor-General-in-Council was pleased to appoint, on February 12, 1944, a Committee of Enquiry known as Labour Investigation Committee. The Committee is headed by Mr. D. V. Rege, I.C.S., an experienced officer who is fully conversant with labour affairs in this country and who is its Chairman. Mr. B. P. Adarkar, who has presumably already drawn up the sickness insurance scheme for India, is one of the three members. This appointment has been very well thought out as it would ensure that the work already done in regard to sickness insurance would be properly integrated in the wider scheme now to be prepared. Mr. S. R. Deshpande, who has been busy through the major part of his long service in handling labour matters in the Government of Bombay and now in the Government of India and who has recently framed the cost of living index numbers scheme on an all-India basis, is also a member. The third member is Dr. Ahmad Mukhtar, an economist who has specialized in Indian labour problems. The terms of reference of the Committee are as follows :—

(a) To collect data relating *inter alia* to wages and earnings, employment, housing and social conditions of labour and in particular of industrial labour in India; and

(b) To investigate and report *inter alia* on the following matters : (1) the risks which bring about insecurity,

(2) the needs of labour by various classes to meet such risks, (3) the methods most suitable for meeting such risks, and (4) housing and factory conditions.

The Committee has already come to grips with the problem in hand. It has completed a two-month all-India tour and made personal acquaintance with the conditions that exist in this regard in this country. It issued some time back a long questionnaire containing 111 questions, which requires detailed information bearing on every relevant aspect and which shows that the Committee is taking a very comprehensive and thorough view of the matter. It is hoped that the deliberations of this Committee would pave the way for the appointment of the next Committee. But would that lead to the introduction of at least a few limbs of social insurance, to be later followed by other instalments? That is the crux of the problem.

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#### CHAPTER IV

### ACCIDENT AND MATERNITY INSURANCE

Of the different branches of social insurance, the first to attract a student's attention under special conditions prevailing in India, are workmen's compensation and maternity benefit schemes which are the creation res-

pectively of the Workmen's Compensation Act of 1923 having all-India application and the Maternity Benefit Acts passed by several provinces beginning with the Bombay Maternity Benefit Act of 1929 and ending with the Assam Maternity Benefit Act of 1944. This is, indeed, the only field of social insurance in which legislation has come to the assistance of labour though without the adoption of the insurance principles; and it is necessary to study how these arrangements have worked thus far and if there is need of making a change-over to the social insurance device. The operation of the workmen's compensation and maternity benefit schemes have served as a laboratory experiment of a system of shiftage by the State of the financial burden of social risks on employers in separate instalments; and the evils inherent in such a system are to be seen in this country on every side, from which only the application of the social insurance principle can give us deliverance. There is, however, a widely prevalent and deeply rooted notion that in India the principle of social insurance has already been introduced in these two cases.<sup>1</sup> But this idea is altogether erroneous. As the

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<sup>1</sup>Cf. Dr. P. S. Lokanathan's observation, "The Workmen's Compensation Act of 1923 is the first national scheme of workmen's insurance in this country..."—*Vide* his *Industrial Welfare in India* (Madras, 1929) p. 108; as also J. B. Grant's remark, "Social insurance (in India) has been introduced only in the case of workmen's compensation and maternity benefit"—*vide* his *Health of India* (Calcutta, 1943), p. 6.

following discussion would show, there is no element of insurance in these two measures—there is no common fund created by the contributions of beneficiaries and others out of which benefits are dispensed with. This is, indeed, the reason for the existence of several fundamental defects in these schemes, which can be eliminated only by adopting the social insurance principle as early as possible.

#### WORKMEN'S COMPENSATION

It is internationally recognized as a sound principle of labour legislation that if a worker receives what is now called "employment injury", that is, injury arising out of and in the course of employment—and injury here refers to industrial accidents as well as industrial diseases<sup>2</sup>—he or his dependants should be paid due compensation therefor by the employer. This principle has been followed almost universally and has been embodied in the Workmen's Compensation (Accident) Convention of 1925 of the International Labour Organization.<sup>3</sup> India is not one of the seventeen countries<sup>4</sup> which have ratified this Convention, but she had enacted in 1923 the Indian Workmen's Compensation Act, which

<sup>2</sup>See Wilson and Levy, *Workmen's Compensation* (Oxford, 1939), Vol. I, p. 112, for detailed discussion.

<sup>3</sup>See Articles 468 and 471 (2) of the *International Labour Code* (Montreal, 1941), pp. 292-293.

<sup>4</sup>These countries are Belgium, Bulgaria, Chile, Columbia, Cuba, Hungary, Latvia, Luxemburg, Mexico, Netherlands, New Zealand, Poland, Portugal, Spain, Sweden, Uruguay and Yugoslavia.

has since then undergone several amendments of which those of 1934 were most drastic. After the First Great War, indeed, the Government of India were prevailed upon to insert Section 43-A in the Factories Act which empowered the Court to pay compensation to the injured worker out of fines imposed by employers,<sup>5</sup> but this arrangement was very inadequate and soon yielded place to the Workmen's Compensation Act of 1923. This Act protects workers earning up to Rs. 300 per month against employment injuries. The class of workers to be covered has been described not only in relation to wage level but also in accordance with a specific Schedule II which covers 22 classes plus four classes added thereto in 1935. All the protected workers are entitled to compensation in case of personal injury caused by accidents arising out of and in the course of employment. But the incapacity lasting for more than seven days alone are covered. Originally the Act did not cover any injury, fatal or non-fatal, that was caused by the fault of the worker, *e.g.* drunkenness, wilful disobedience to an order expressly given or to a rule expressly framed to ensure safety, and wilful removal or disregard of safety appliances. But by the 1934 amendment, fatal accidents have been excluded from the causes disqualifying workers from claiming compensation in respect of accidents caused by their own faults. The accidents include certain diseases which are known as industrial diseases but which are regarded as accidents

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<sup>5</sup>See P. S. Lokanathan, *Op. Cit.*, p. 87.

within the meaning of the provisions of the Act. They are specifically mentioned in a schedule and are only half a dozen in number. The Act has been modelled after the British Act introduced originally in 1897 and generalised in its scope and application in 1906.<sup>6</sup>

The most prominent feature and gravest defect from the employers' viewpoint of this Act is the fact that it places the entire liability for compensation on the employer; and in the case of fatal injuries he alone is responsible for the payment of indemnity even if it was the result of workers' own fault and he himself could not have prevented them. This appears to be unjust to the employer and is perhaps an important cause of its many shortcomings. This arrangement may be in accord with international practice, but in theory it is really as untenable as leaving the worker to his own resources. It is generally recognized that so long as the choice of occupation does not become deliberate and wage levels in hazardous and non-hazardous occupations do not reflect the degree of risks, besides being pitched up sufficiently high, the worker would remain a bad insurer from his own as well as the society's standpoint. In the same way, so long as the State and workers do not join the employers in the carriage of social risks, the employer would have a tendency to evasion and to adopt practices leading

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<sup>6</sup> For a fuller discussion, details and commentary, see A. G. Clow, *The Indian Workmen's Compensation Act: A commentary* (Lahore, 1936).

to general maladministration. When social insurance was in its infancy, the total burden of social risks could be placed on employers' shoulders, but now with the appearance of the full-fledged social security plans and policies in so many countries of the world, this arrangement requires a change. Without contesting the fact that the worker has absolute need of protection and he must obtain it, it must be agreed that the employers' point of view is also quite plausible. The theory of placing this burden on employers alone was an accident, a product of the great influence that the French jurists wielded at the time of the origin of this form of coverage, and does not seem to be well thought out. Sir William Beveridge regards this as very unjust to the employers and we fully share his bold declaration that this risk should be shared, along with other social insurance risks, by all the three parties, *viz.*, employers, workers and State. This would make the employers more willing to give their support to other schemes of social insurance as the shrinkage of their liability in one direction, their total contribution-paying capacity being given, would allow them to pay large contributions for the financing of other newer branches of social insurance.

The International Labour Office, besides recalling precedence in support of the present system, defends it on the ground that (i) by the device of merit-rating, compensation can be used as a lever for promoting industrial safety; and (ii) by loading the price of products which

endanger life and limb with their full compensation costs, their use is discouraged and the search for substitutes is encouraged. Now, as regards the first point, it has to be said that there are other Acts, besides the Workmen's Compensation Act, which can look to, and do look to the adoption of proper safety measures and precautions; and by stiffening supervision and administration, much can be accomplished. As to the second point, it should be remembered that it cuts both ways, for if the cost of compensation is so heavy as to increase the price of a commodity to the extent of discouraging the sale of that commodity, perhaps a case can be made against such an imposition as being of a punitive character. In actual practice the cost does not usually bulk so large in the total cost; and moreover, as is a commonplace in modern economics, price does not depend upon cost alone. To seek for a measure of discouraging an industry in workmen's compensation is detracting it from its main purpose and may open the door for other evils. The surprise is that the I. L. O. have come forward to defend this out of date viewpoint as late as 1944!

From the workers' standpoint, the present workmen's compensation scheme is defective for various reasons. There is no arrangement for medical treatment; and while the employer may by his own will provide some sort of medical treatment, there is no compulsion on him or any other person or body in this regard. Apart from this, the worker faces several difficulties in putting forward his claim. Due to his



ignorance, he does not sometimes even know that he is entitled to make a claim. Even when he knows it, there is no regular channel through which he can put forth the claim. The law, as it is, does not make the employer liable to pay unless the worker makes an application, which is not always easy or common for the worker to do. The worker is again generally persuaded by the employer to forego or reduce his claim on the pains of discharge which is an important reason why the Act has failed to achieve its object fully. The lump sum payment system has proved very harmful and unsatisfactory as much in India as abroad. It is also now well realized that the schedule of industrial diseases is very narrow and limited. The scales of compensation are inadequate and they have become still more so during the war period in which no action has been taken, as has been done in some of the foreign countries, to increase benefits to keep pace with the rising cost of living.<sup>7</sup>

In spite of the fact, therefore, that the introduction of this Act has afforded protection to the worker in a very needy direction its operation has brought to light a number of serious defects. Many of these defects can be removed if workmen's compensation against employment injuries is made a part and parcel of a wider and complete system of social

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<sup>7</sup>In Brazil, for instance, the 'Government by their decree of July, 1943, set up a Committee to go into this aspect of the question. See *International Labour Review* (Montreal), September, 1943, p. 388.

insurance. For one, this would spread the cost of compensation to all the three parties, namely, workers, employers and State: and an important stimulus to evasion would be removed. It would also be easy and convenient, then, to make arrangement for adequate medical treatment for the medical machinery erected under sickness or social insurance can be used for this purpose. The worker would get his benefit on the strength of the certificate granted by social insurance doctor from social insurance authorities and nothing would depend upon the will of the employer. The application of the social insurance principle would also imply a close correspondence between the amount of benefits and the cost of living—a thing which is almost impossible of achievement by the type of workmen's compensation system that is at present in force in India. Considerations such as these make us strongly feel that the social insurance principle must be introduced in the case of workmen's compensation as soon as conditions permit.

It should be remembered that the idea of starting a State insurance fund having monopoly of workmen's compensation insurance business from which employers must compulsorily obtain an insurance policy in respect of their liability, is now an old idea; and the recent thought on the subject has gone much further than this, particularly since the passing of the New Zealand Social Security Act of 1938. There is no denying the fact that such a system of State Insurance Fund would have

decisive advantages over the present system<sup>8</sup>, but it cannot be of the same order of excellence as the solution we have proposed. Sir William Beveridge, among others, has definitely reverted to Bismark's idea that workmen's compensation should be treated on the same basis as social insurance which was rejected due to the principle of occupational risk according to which the employer as initiator and controller of the undertaking is liable, irrespective of fault on either side, for accidents which as it were naturally occur in its working, to which French jurists gave expression in the 19th Century and which was adopted on a large scale throughout the world. In India we must not ignore the current trends and tendencies in thought and practice and must not stick to the old tatterdemalion with the devotion worthy of a Mrs. Micawber. Our goal must be to make the *workers* insured. The present form of coverage is a dead corpse to which no country now pays a court, not in theory, and we would do well to cut out this phase of evolution in our workmen's compensation scheme.

While making workmen's compensation an arm of social insurance, certain improvements will have to be made over the existing state of affairs. Firstly, it appears that the injuries received outside the place of employment, against which the worker needs as much protection as against employment injuries,

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<sup>8</sup> For these advantages, see I. L. O. *Approaches to Social Security* (Montreal, 1942), p. 24.

can also be covered under the scheme which seeks to provide against employment injuries. At present the Workmen's Compensation Act covers only the accidents "arising out of and in the course of employment," a provision which has not satisfied labour interests anywhere in the world. As early as 1919 Mr. Frank Hall, representing the Miners' Federation of Great Britain, observed before the Holman Gregory Committee :

If a youth was put on to drive an engine, and for some reason went away when it was stopped, and one of the bankmen went and started it, which he would in ninety-nine cases out of a hundred, compensation can be refused if he meets with an accident in returning to this work.<sup>9</sup>

It is really incongruous that while protection is given against employment injuries, other accidents and occupational diseases are not paid any attention; for in both the cases the workers are similarly affected from the income-security viewpoint. As is the Swiss experience, accidents while on duty are as high as  $\frac{2}{3}$  of the total injuries to which the worker is subject; and when these  $\frac{2}{3}$  risks are being provided against by means of social insurance technique, there is no reason why the remaining accidents caused outside the place of employment should not be covered under the scheme. There should, preferably, be one complete system of accident and disablement insurance rather than one industrial insurance scheme and

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<sup>9</sup>Quoted by Wilson and Levy, *Workmen's Compensation* (Oxford, 1939), p. 172.

another non-industrial accident and invalidity pension scheme.<sup>9A</sup>

Then, again, the schedule of diseases which are regarded as accidents within the meaning of the present Indian Workmen's Compensation Act, is extremely limited and falls much short of the Schedule attached to the I. L. O.'S Workmen's Compensation (Occupational Diseases) Conventions, 1925 and 1934, Article 2. It suffers from the worst evils of the schedule mode of occupational disease coverage which has been declared to be thoroughly out-of-date and defective. The Thirteenth (1938) Italian Congress of Industrial Medicine passed a resolution demanding the abolition of the system of schedule and the introduction of blanket coverage for occupational diseases, which would constitute the final stage in the development of insurance against occupational accidents and diseases, and asking that, pending this, the system of enumeration of diseases and the list of trades and processes should be abolished. As correctly observed by Marshall Dawson of the U. S. Division of Industrial Accidents, "The schedule plan of covering occupational disease has often been criticized as arbitrary and unfair.....Such a method is vitiated by gaps in the schedule due to poor and incomplete selection of items in the list and

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<sup>9A</sup> It is really surprising that in the fresh recommendations presented by the I. L. O. to the Philadelphia (1944) International Labour Conference non-industrial accidents were not included, in the series of contingencies against which the worker should be protected.

also to the emergence of new processes, the hazards of which are not recognized until after workers have been injured, whereas it has been recognised by commissions that they should not wait until after claims are filed before undertaking research and inspections to discover hazards. Industrial processes change and the knowledge of disease hazard is rapidly expanding. A revision made 10 years after the first publication of a printed guide to impairments that may occur in various occupations increased the numbers of poisonous substances considered from 52 to 94. The number of hazardous occupations listed was increased to approximately 900."<sup>10</sup> In India, therefore, we must adopt the blanket method and not the worn-out schedule method of coverage. Particularly if workmen's compensation is to operate only as an arm of social insurance and is to subsume within itself non-employment injuries also, the schedule method would have no scope of application. Indeed, if protection is the object of this measure, let it be a genuinely complete protection and not an arbitrarily decided completeness.

Besides this, there should be a proper system of benefit dispensation closely integrated with a system of rehabilitation which would restore the earning capacity of the injured worker either fully or partially and in the long run reduce the cost of benefits. A "reha-

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<sup>10</sup>Dawson, *Problems of Workmen's Compensation Administration* (Washington, 1940), pp. 67-68.

bilitation fund" might well be maintained, as in some states of the U. S. A., with a view to "facilitate the vocational recovery of an injured workman by providing extra compensation to cover his increased living expenses during the period of vocational readjustment or retraining. Such a fund may also be drawn upon for supplementary or extraordinary expenses connected with rehabilitation agency." Without the rehabilitation of the injured workers, the workmen's compensation administration would do only half its duty. There may also be what is called the "second-injury fund" which facilitates the re-employment of injured workmen. Nobody would willingly employ a man who has lost one eye for in case he loses the second, the employer would have to give compensation in respect of total disability. The "second-injury fund" is provided to take care of this extra liability. No doubt, if the workmen's compensation is merged into a wider system of social insurance, there might not be a necessity for the accumulation of such a fund.

There should, again, be a proper system of medical treatment and assistance. As soon as the worker receives a physical injury he must get proper medical aid forthwith, a responsibility which can well be taken over by the medical machinery erected under sickness insurance or social insurance; and should thereafter be constantly looked after till he is completely cured. The granting of some cash benefit alone without making absolutely any

provision for medical benefit is neglecting half the job. Complete and efficient medical treatment is a great necessity. The prevailing opinion is that there are very few permanently injured persons who cannot be restored to their normal working capacity so as to enable them to take up their old work; and it is the experience and claim of foreign countries that a costly treatment is the cheapest in the long run. This should then be the aim of social insurance in our country also, and we must not labour under a sense of false economy.

Cash compensation should again be adequate so as to enable the worker and his family to maintain a proper standard of living during their misfortune. If the cash benefit is niggardly and insufficient the protection would defeat its very purpose, though it should not at the same time be so great as to promote malingering. The injury caused might result in one of the following: (a) temporary disablement; (b) permanent disablement; and (c) death. In the first case, the cash benefit should be merely temporary and should be provided as long as necessary. The waiting period of a few days will have to be provided, but in case the incapacity exceeds say a month, it should be waived retrospectively. It would also meet the ends of justice as well as bring about administrative simplification if sickness benefit is substituted for compensation during incapacity of limited duration as is the practice in some countries and as has been recently suggested by the I. L. O. In the case of temporary disability



rehabilitation services are not generally made use of. As regards permanent disablement, if proper effort is made on the medical side, the old working capacity might be restored, and every effort should be made towards this end. But there may also arise the necessity of a proper system of re-training and occupational recovery of the workers during the period of long-drawn treatment, while it would be indispensable in regard to incurable cases. If an injured worker is unable to work on his former job, he should be retained to take up some other work as might suit him in his disabled state. The new work should pay due regard to his strength and ability and his previous experience. And so long as he does not get employment he should get permanent incapacity benefit. In the case of death, however, the courses open are to pay a lump sum which system now stands much discredited, or to pay an annuity or pension to the widow and children which is preferable. The widow may be given compensation for the whole period of widowhood and children up to the age of 16, or 18 if education is continued, while the case of other dependants should also be favourably considered.

In case the workmen's compensation system in this country is to be placed on a proper footing, all these much needed reforms will have to be introduced. This calls for a complete overhauling of the present system and cannot surely be brought about merely by half-hearted patch-work.

## MATERNITY BENEFIT INSURANCE

Labour legislation in India has also come to the help of women workers in pregnant condition. It has, however, been the field of provincial legislation and the absence of an all-India legislation has given rise to many differences and anomalies. The Presidency of Bombay set the ball of this sort of legislation rolling in the year 1929 by putting a Bombay Maternity Benefit Act on the statute book. The C. P. and Berar adopted the measure in 1930 ; Madras in 1934 ; U. P. in 1938 ; Bengal in 1939 ; Punjab in 1943 ; and Assam in 1944. The women workers of mining regions are protected by a special Act. The object of these Acts is to provide legal protection to women workers immediately before and after child-birth. It is necessary that the mother gets complete rest and proper nourishment before and after child-birth, and is relieved of the worries of earning an income, both in the interest of her health as well as in that of the child, which is sought to be ensured by the piece of legislation under discussion. As would be evident from the table showing the more important provisions of the legislation that we give below, the maternity benefit provision in this country falls short of the standard set by the Childbirth Convention of 1919 which *inter alia* provided that a woman worker (a) shall not be permitted to work during the weeks following the confinement ; (b) shall have the right to leave her work if she produces a medical certificate stating that her confinement

Comparative statement showing some of the important provisions of the legislation regarding maternity benefit at present in force in the provinces and in the mines.<sup>11</sup>

Province	Year in which passed	Qualifying period (Months)	Maximum period for maternity benefits (weeks)	Rate of Maternity Benefits	Penalty for contravention of Act by employers
(Bombay Sind)	1929	9	8	8 annas a day or average daily wage, whichever is less. But in the cities of Bombay and Ahmedabad, 8 annas a day.	Rs. 500
C. P. & Berar	1930	9	8	8 annas a day or average whichever is less.	500
Ajmer-Merwara	1932	12	6	8 annas a day or average daily wage, whichever is less.	500
Madras	1934	240 days (8 months within a period of one year.)	7	8 annas a day.	250
Delhi	1937	9	8	8 annas a day.	500

U. P.	1938	6	8	8 annas a day or average daily wage whichever is greater.	500 for first offence and 1000 for second and subsequent offence.
Bengal	1939	9	8	Do.	500
Mines	1941	6	8	8 annas a day	500
Punjab	1943	9	60 days	12 annas a day	500
Assam	1944	150 days	8	1. In plantation Re. 1 per week for the period before confinement and Rs. 1-4 per week for the period after confinement, provided the total cash payment is Rs. 14. 2. In other employments, Rs. 2 per week or average weekly wage or salary whichever is greater.	500

<sup>11</sup>Taken from the *Indian Labour Gazette* (New Delhi), May, 1944, p. 287. This table was incomplete and has been completed above.

will probably take place within six weeks ; (c) shall, while she is so absent, be paid benefits sufficient for the full and healthy maintenance of herself and her child ; (d) shall in any case, if she is nursing her child, be allowed half an hour twice a day during her working hours for this purpose.

The Maternity Benefit Acts, as is apparent, have been enacted by only a few of the provinces and it is not in all the provinces that the women workers are given benefits in times of pregnancy. Among themselves, these laws differ quite significantly in several respects though all are identical in theory or principles lying at their back. In their application they are without exception restricted to women workers only ; and do not apply to the non-working wives and dependent womenfolk of the male workers. The latter is, in particular, a great drawback for on such occasions the mother and child are invariably neglected in every respect as the worker does not know from where to procure the money for taking care of medical assistance, medicines, rituals, and other new items on such occasions, unless it be by borrowing which makes the matter ultimately worse.

Even in the narrow field which the Acts cover, there have been a large number of complaints. The provincial Governments are reported to be incapable of enforcing the Acts with any rigour and efficiency<sup>12</sup> and the court of

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<sup>12</sup> See B. Shiva Rao, *The Industrial Worker in India* (London), p. 227.

enquiry at Coimbatore reported in 1938 that in a large number of cases the employers did not meet their liabilities. The ignorance of the worker of the Act and its provisions is another great obstacle in her path of getting benefits. The employer is also on the constant vigil and as soon as the first signs of pregnancy appear, he dismisses the woman worker. As a matter of fact the complaint is very loud on the part of the worker that the employers have, with a view to save the cost of such benefits, reduced the employment of female labour to the very minimum, a contention which cannot be precisely scrutinized in the absence of relevant and reliable statistics. In many industrial centres, women workers would conceal the fact of their pregnancy till quite late lest they might be dismissed. The Acts also do not make any provision for benefits in kind, particularly medical assistance and treatment, which is greatest necessity of the Indian women workers.

From the viewpoint of the employers, the principle of placing the entire liability of compensation and leave on them is open to serious criticism. If maternity is in no material way different in its effects from sickness, unemployment, invalidity or any other social risk, its compensation and redress should also follow the same lines. The cash benefit must be paid out of a tripartite fund on the social insurance principle and it should be made a part and parcel of the wider scheme of social insurance. Our proposals regarding workmen's compensa-

tion in this regard apply, *mutatis mutandis*, to maternity benefit. It would be worth while recalling in this connection that the Royal Commission on Labour had declared that "the time is ripe for the introduction of legislation *throughout India* making a maternity benefit scheme compulsory in respect of women permanently employed in industrial establishments on full-time processes;" and opined against the proposal that "the women worker should be asked to pay any periodical contribution." They further observed that "while a system involving State contributions or Government grants is desirable and would not be administratively impracticable it is more than likely, in the absence of any general scheme of *sickness insurance of which maternity benefits would form an integral part*, that it would involve a disproportionate administrative cost...In the event of any general scheme of social insurance being adopted, *maternity benefits should be incorporated* and the cost shared by the State, the employer and the worker."<sup>13</sup> About a decade and a half has elapsed since this recommendation was made but no step has yet been taken in this regard. It is time that this disregard and indifference were shaken off and the maternity benefits were no longer kept the entire responsibility of employers. It is as a matter of fact necessary that this problem is carefully and thoroughly examined in relation to sickness insurance which

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<sup>13</sup> *Royal Commission on Labour Report* (Calcutta, 1931), pp. 283 and 284. Emphasis ours.

might perhaps become a *fait accompli* ere long, and its place in the social insurance picture which is being evolved, given proper thought. It would be out of tune with recent developments if thought is given to this problem in complete isolation and sordidness. The day is gone when mere patch-work could achieve satisfactory results: there is today a great need of a complete reorientation and comprehensive and consolidated outlook. The social insurance approach must be made to this problem, among others, so that of the picture of a complete social insurance scheme for India, maternity insurance might form an integral and important part.

The availability of the maternity benefit need also be extended to the wives of male workers and to the women dependent on them for their subsistence. It is also obvious that any legislation in this regard must take an all-India character as this alone will not leave blank patches here and there, which are altogether opposed to any sensible arrangement. On the benefits side, mere cash benefits would not be sufficient. All that they can do is to make good the loss of income of the woman workers during the days of advanced pregnancy and immediately thereafter, and perhaps make available a certain sum of money which might take care of some of the new items of expenditure connected with child-birth. But for taking care of the body and physique of the mother and the child, there is imperative need of medical benefits for which proper arrangement



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must be made. We regard the system of the grant of cash benefits to take the place of benefits in kind as extremely vicious and faulty. The worker cannot, in the existing circumstances, get much medical treatment or help out of the petty cash grants that might be doled out to her. The existing system really requires considerable improvement. An effort should be made to make proper arrangements for the hospitalization of women workers about the time of child-birth, which would be an ideal system though it would be some time before it can be given a concrete shape in our country. For the rest, the system may follow the pattern of sickness insurance with which it is very intimately connected. It would, indeed, be an impossible task to assign some of the diseases to either sickness or maternity specially; and there is no doubt that under a system of separatism the claims of one would be sought to be shifted on to the other and be made the bone of constant contention. It is because of such reasons that sickness and maternity have come to be regarded as inseparable and unified risks and are often covered together under a common scheme,<sup>14</sup> a plan which we may adopt with advantage in the stagified introduction of social insurance as discussed below.<sup>15</sup>

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<sup>14</sup> Very recently, the governing body of the Union of Swiss Sickness Funds, to which the funds in the German-speaking part of the country are affiliated, has recommended that maternity insurance should be administered by sickness funds. See *International Labour Review*, September, 1943, p. 390.

<sup>15</sup> See Chapter 7, *post*.

## CHAPTER V

### SICKNESS, UNEMPLOYMENT AND PENSION INSURANCE

Labour legislation in this country has not yet touched the other contingencies (other than employment injuries and maternity), against which protection is needed by the worker. We shall consider them below.

#### SICKNESS INSURANCE

In most of the countries of the world, sickness insurance has been the first branch of social insurance to receive attention and to appear on the chronological list of the evolution of social insurance.<sup>1</sup> In tune with this line of development, sickness insurance is the first, if the only branch of social insurance to which any attention worth the name has been given in our country in the past. The International Labour Conference passed two Conventions and one Recommendation at its tenth (1927) session with regard to sickness insurance and it was in this connexion that the matter came before the Government of India in that year. In 1928 the problem was placed before the Indian Legislative Assembly. The Government of India then arrived at the conclusion that the introduction of any comprehensive scheme on

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<sup>1</sup>U. S. A. is an obvious exception where neither the Federal Government nor any State has yet passed a general sickness insurance Act.

the lines of the Convention was not practicable in the then existing conditions. But they expressed their full sympathy with the idea underlying such a measure and recognized that the need of Indian workers for some provision was in no way less than the need of those in other countries. They did not, as such, entirely drop the matter but approached the Provincial Governments with a view to find out their views on the subject.

Several provinces thereupon appointed special committees to go into this question; but their conclusions and the replies of the Provincial Governments, which, were based thereon, were not satisfactory. The Madras Committee was unable to suggest any satisfactory scheme and favoured a scheme of general provident fund to provide not merely for sickness but also for unemployment, old age, marriages, funerals, religious rites, festivities and other such contingencies. The Punjab Committee recommended the application of a scheme of sickness insurance, but did not enter into details. The majority of the Central Provinces Committee were emphatically of the opinion that any scheme of compulsory insurance was unworkable in practice. In replying to the Government of India, the Governments of the provinces in which investigations were held all stressed the financial burdens involved in State assistance to any scheme. This was also emphasized by the Governments of the other major provinces except the Government of Bengal who took no action in view of

the impending appointment of the Royal Commission on Labour.<sup>1A</sup>

The Royal Commission on Labour of 1931 was the next to go into this problem, and after a careful examination of the arguments of the Provincial Committee it came to the conclusion that "none of these arguments diminish the need of the worker for provision during sickness." They emphasized that all the methods should be studied for alleviating hardship among workers arising from lack of provisions for sickness; but as the available statistical material was insufficient, they recommended that primary enquiries with the aid of a small committee from the Central Legislature should be made and thereafter statistical enquiries with expert medical and actuarial assistance should be conducted. They attached considerable importance to the actual experience and suggested a tentative scheme applicable to single establishments.<sup>2</sup>

The Government of India, then, with the consultation of the Standing Advisory Committee of the late Labour and Industries Department took preliminary steps regarding the drawing up of a questionnaire and forms for the collection of relevant statistics, and experience cards were made with the help of the appropriate authority in England. The

<sup>1A</sup>See *Report of the Royal Commission on Labour* - (Calcutta, 1931), p. 266.

<sup>2</sup>See *Proceedings of the First Conference of Labour Ministers* (New Delhi, 1940) p. 57; and *Report of the Royal Commission*, pp. 265-269, for greater details.

idea was that on the basis of the information gathered with the help of such documents an actual sickness insurance scheme would later be framed. But the experience cards were found to be rather complicated and further attempts made to simplify them bore no fruits. This line of approach was, therefore, given up.

The Government, then, decided to try the method suggested by the Royal Commission on Labour. They accordingly placed before the Standing Advisory Committee the suggestion that the actual schemes be put into operation in single establishments wherever medical facilities could be made available by the Governments, provided that the employers and workers were willing to contribute. With their approval, a letter containing the above suggestion was issued to provincial Governments in April, 1935.

The replies received from the provincial Governments were not encouraging or sympathetic to the proposal and merely laid emphasis on the difficulties in the way of the introduction of sickness insurance. In May, 1937, the Government of India came to the conclusion, which was communicated to the provincial Governments, that there was lack of real demand on the part of provincial Governments and employers, and, indeed, from workers if the schemes are to involve contributions from them. They frankly stated that the powers of the Government of India are limited to legislation and as no provincial Government is in a position at present to take up the problem on general

lines, they cannot take any further action at this stage on this question.

At about this time, the Cawnpore Labour Enquiry Committee was set up on 11th November, 1937. It dealt, *inter alia*, with sickness insurance and declared that a sickness insurance scheme could be worked in this country and that the difficulties in its way can be surmounted. It recommended that it is "desirable to examine the possibilities of a regular scheme of sickness insurance for industrial workers....The (Royal) Commission have recommended a scheme of sickness insurance by the employers on a contributory basis by small deductions from wages of the workers. We unhesitatingly endorse that recommendation... There is no doubt that it could be worked. It will, however, be necessary to collect much more detailed statistical data before the details could be filled in. Organization and expansion of the medical arrangements will also be necessary. Probably the State should also make some contribution to the scheme...."<sup>3</sup>

The Government of India, however, were keenly alive to the need of sickness insurance in India and they consequently brought this matter before the First Conference of Labour Ministers which met at New Delhi on 22nd and 23rd January, 1940. The Conference concluded that "the idea of a sickness benefit fund (is) appropriate and further action may be considered after the Government of India have

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<sup>3</sup> See *Report of the Cawnpore Labour Enquiry Committee* (Allahabad, 1938), para. 234.



ascertained how far employers and labour are willing to contribute compulsorily to the fund."

While the Ministerial Conference had thus passed a rather indifferent resolution, the Behar Labour Enquiry Committee was conducting its proceedings under the chairmanship of Dr. Rajendra Prasad. It declared, while reporting in 1940, that "sickness insurance on contributory basis appears to us to be the most satisfactory solution of this problem (of sick leave) and indeed the whole problem of sickness;"<sup>4</sup> and it requested "the Government to institute an enquiry into the desirability and practicability of introducing the scheme by legislation."<sup>4A</sup> In the same year, the report of the Bombay Textile Labour Enquiry Committee was published. It treated the problem of sickness insurance from a more practical and comprehensive angle and deprecated the whole host of difficulties that had been pointed out every time the problem of the introduction of sickness insurance was taken up, all of which it said could be overcome. It took one step further and framed an illustrative scheme of sickness insurance for adoption in the textile industry of Bombay. This scheme was later declared to be too complicated by the Government of India.

Only a few months after the publication of the above-mentioned two reports, the Labour Ministers again met in the Second Conference

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<sup>4</sup> See *Behar Labour Enquiry Committee Report* (Patna, 1940), para. 133.

<sup>4A</sup> *Ibid*, para. 138.

at New Delhi on 27th and 28th January, 1941. The proceedings of this Conference show a change in the attitude of all the parties regarding sickness insurance. The workers agreed to pay a contribution; the employers sympathised with the idea and were prepared to contribute; the provincial Governments recognized the need and the suitability of the occasion for the introduction of the proposed measure; and the Central Government stated that "it is not necessary to postpone consideration of the question till after the war." It was, however, resolved that the scheme, if it comes into being, should not involve any financial burden either on the provincial Government or on the Government of India. It agreed that "a preliminary actuarial examination should be taken up, and that after such examination a scheme should be evolved involving contributions from the employers and the employees." It was, again, suggested that the actuarial examination should be confined to a few specified industries. The proceedings of this Conference thus gave a definite start to the sickness insurance proposal in an earnest manner and the traditional sympathy-expression yielded place to action, though the decision of the State not to contribute continued to cause dissatisfaction on the part of employers and workers and arouse pessimism in the midst of the general public.

It was, however, subsequently realized that actuarial examination could not possibly be conducted unless there were statistical data

which can be subjected to such an enquiry. But data of this nature could not be secured unless a sickness insurance scheme had already been in operation for some time. It was a sort of hen and egg puzzle and a beginning had to be made somewhere. The Government Actuary opined that it would be better to frame and implement an actual scheme on intelligent guess work and accordingly the Government decided that there should be started "some experimental scheme to apply only to certain well defined industries with a view partly to making a start and partly to obtaining the statistical material by utilisation of which the scheme could be subsequently developed."

In accordance with this decision, the Government of India appointed Mr. B. P. Adarkar an Officer on Special Duty to frame a suitable scheme of sickness insurance for India in the beginning of the year 1943. It is hoped, though it is not definitely known, that the scheme of sickness insurance is now ready and is receiving the attention of the Government of India. It has already been published that the Government have agreed to act as guarantor of the budgetary equilibrium of the sickness insurance fund. Any budgetary deficiency would in the first instance be made up by the Government and this would be regarded as a loan granted to the fund to be repaid conveniently. The details of the scheme are not yet known and are anxiously awaited.

## UNEMPLOYMENT INSURANCE

Another important branch of social insurance, to which little attention has hitherto been paid in this country, is unemployment insurance. Broadly speaking, it is true that in India the problem of industrial unemployment is not of the same rigour and intensity as in some of the western countries ; and the cases of chronic unemployment are much less frequent. But as India is advancing on the road of industrialization and as the industrial worker is coming to depend more and more on the factory wage and is losing his connexion with rural areas, the need of unemployment insurance is increasing. Apart from it, the existing employment position has been greatly vitiated and worsened by the peculiar recruitment system that is followed and the control that is exercised by foreman or jobber ; and there is occasional spell of unemployment which an individual worker has to face, while the *badli* who is irregularly employed has become a common feature of the industrial life of the country. Rationalisation with its labour-displacement consequence is being increasingly adopted, and unemployment, or more precisely the fear of unemployment, is becoming a strain in recent economic deliberations in India. The problem of unemployment insurance, as such, requires timely thought and action.

The first time the question of unemployment insurance came before consideration was in 1928-29 when the Bombay Strike Enquiry Committee was carrying on its work. This Committee did not suggest a full-fledged system

of unemployment insurance; but opined that the mill-owners should take steps to alleviate the hardships caused by unemployment which the introduction of efficiency schemes usually created and recommended a sort of voluntary gratuity payment scheme. According to its suggestion, an "Out-of-work Donation Fund" was to be formed and gratuities were to be given to the discharged workers amounting to 4 to 6 weeks' wages to support them during the period in which they were seeking employment. The greatest defect of the scheme was its voluntary and optional character, and the result was that practically no action was taken on it by the employers.

The Royal Commission on Labour was the next official body to go into this problem but it only blessed the Bombay Strike Enquiry Committee's recommendation as aforesaid. It stated that "where any comprehensive scheme of reduction (of unemployment) is contemplated in an industry, the introduction of a joint scheme of unemployment insurance should be considered," to which both the employers and workers should contribute.<sup>5</sup> It further observed that "we received some suggestions for the establishment of a statutory system of unemployment insurance but we cannot regard any national system of insurance with which we are familiar as feasible at present in India."<sup>6</sup>

The Cawnpore Labour Enquiry Committee set up by the U. P. Government on 11th

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<sup>5</sup> *Royal Commission Report*, Op. Cit., p. 35.

<sup>6</sup> *Ibid.* pp. 35-36.

November, 1937, to examine and report on the conditions of life and work of labourers employed in factories at Cawnpore, went into the question of unemployment caused by rationalisation; and it stated that "every effort should be made to see that no worker is thrown out of employment as a result of rationalisation. When, however, absorption is not immediately possible, we would recommend that the workers who have put in two years or more of service be paid an employment benefit of a fortnight's wages for every year of service to enable them to return to villages or to assist them to tide over the period till they secure some other employment."<sup>7</sup>

The Behar Labour Enquiry Committee, which reported in 1940, did not touch the problem of unemployment insurance. But the Bombay Textile Labour Enquiry Committee, which also reported in the same year, took for the first time a definite stand that unemployment insurance was not only desirable but that it was time that it was introduced in the cotton textile industry of the Bombay Presidency which was the only region within its terms of reference. In strong words and clear terms, it emphasized the need of unemployment insurance and explained how the difficulties in the way can be surmounted. It also made some definite suggestions which should be kept in view while drafting an unemployment insurance scheme for India. That the Bombay Textile

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<sup>7</sup> *Report of the Cawnpore Labour Enquiry Committee*, Op. Cit., para. 119.

Labour Enquiry Committee had adopted a very correct attitude in this regard was proved by the course which subsequent events took culminating in the appointment of the Labour Investigation Committee and the promised appointment of a special Reconstruction Committee to frame a suitable system of social insurance including unemployment insurance.

It is well known that the risk covered by unemployment insurance is more fluctuating and unpredictable than that covered by sickness insurance. This is the reason why as a general rule unemployment insurance is introduced only after a country has successfully worked up a sickness insurance scheme, and gathered sufficient experience to try the more difficult branches of social insurance. Unemployment insurance requires two things as conditions precedent. Firstly, there must be a central institution to deal with the problem as the greater the unification and centralised control, the more conveniently and confidently can the problem be grappled with and the less will be the risk. As has been aptly observed, "even more than pension insurance, unemployment insurance requires the concurrence of large number of members in order to smooth out as much as possible the occupational and local fluctuations in the risks; even so, it needs to accumulate also a large contingency fund."<sup>8</sup> Secondly, there must be a network of employment exchanges spread throughout the length and breadth

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<sup>8</sup> I. L. O., *Approaches to Social Security* (Montreal, 1942), p. 29.

of the country, which should operate as local agencies of the central institution. That there should be a unified system of social insurance in India is a fact which has an axiomatic ring. It has been well warranted by experience of foreign countries, is in agreement with current thought on the subject, and must be followed in India as we have discussed below.<sup>9</sup> The system of employment exchanges has already been set up and its scope, it is hoped, would increase in near future. Circumstances appear therefore to be favourable for the introduction of unemployment insurance in this country from the organisational point of view. The high degree of probability of the establishment of a sickness insurance scheme and perhaps of the merger of workmen's compensation and maternity benefits scheme into it, should be an added reason for strengthening this condition.

Unemployment insurance, like workmen's compensation insurance, should cover only employed persons; and in the beginning its scope would have to be restricted to workers coming under the Indian Factories Act though it might shortly afterwards be extended to shopping establishments. The risk covered by unemployment insurance is temporary unemployment which is neither caused by any fault or desire on the part of the insured nor is it the result of a physical or other handicap that is or should be the subject-matter of some other branch of social insurance.

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<sup>9</sup>See Chapter VII, *post*.



The technique of fixing the maximum duration of unemployment benefit so as to prevent any heavy drain on the tripartite fund, followed in so many countries and contained in the Unemployment Provision Convention and Recommendation of 1934, has now been declared as insufficient and has gone out of fashion. It has now come to be recognized that there cannot be any genuine security to workers against unemployment in case the period of benefit is limited. Sir William Beveridge has, as such, in his celebrated report recommended the abolition of any maximum duration of benefit and this viewpoint has found rapid popularity. Just as a worker after exhausting sickness benefit can rely on invalidity pension, similarly the unemployed should be able to secure unemployment benefit till he is re-employed. The correct method of keeping the cost of such benefits within reasonable limits is to gear up the general economic system in its various forms and phases and maintain such an efficient employment service that unemployment is kept at a low level. This is what is implicit in the Beveridge Plan, and its "Assumption C" takes it for granted that unemployment will not exceed the order of 10 per cent. It is difficult to say to what extent can this be accomplished in our country in the present circumstances; but as it is felt that the introduction of social insurance will be co-extensive with great economic development, perhaps according to a drawn-up plan, there should be no hesitation in keeping this as our ultimate ideal.

The benefits paid in the case of unemployment could be cash benefits associated with a rehabilitation and re-training service so that a displaced worker may be trained for some other work for which there is a demand for labour, as would be revealed by the records kept at employment exchanges. Obviously the main object of unemployment insurance is "not the entire abolition of unemployment, but the lessening of the evil effects that result from it."<sup>10</sup>

Unemployment insurance should provide for a long qualifying period which may be placed at about 5 years so as to ensure that benefits do not flow out to temporary workers or *badlis* or casual labourers and not in any case before sufficient payments have already been made. There will also have to be fixed a waiting period which may be nine days or seven days as proposed in the Marsh plan and Wagner-Murray-Dingell Bill respectively for the whole of the year, and should not be imposed every time the unemployment occurs.

#### PENSION INSURANCE

Besides the foregoing branches of social insurance, there are three other branches which can all be considered together. They are insurance against non-industrial invalidity<sup>11</sup>, insurance against premature death and

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<sup>10</sup> J. L. Cohen, *Insurance Against Unemployment* (London, 1921), p. 55.

<sup>11</sup> Industrial invalidity and non-employment injuries have already been discussed along with workmen's com-

insurance against old age. The best method of coverage in respect to all these three risks is the pension system and consequently they have been lumped together under the heading "Pension Insurance." There should be invalidity pension to take care of non-industrial invalidity; survivors' pension, *i.e.*, widow's pension and orphans' pension to be paid in the case of premature death; and old age pension to be granted when the worker reaches the pensionable age.

Of these three branches, the need of some sort of provision for old age has been clearly realized in this country for some time past. At least two members of the Royal Commission on Labour of 1931, *viz.*, Mr. N. M. Joshi and Diwan Chaman Lall, emphasised before their co-members the importance and urgency of making adequate provision for old age for workers; but the opinion of the Commission was that it was "impossible to make provision for meeting every contingency in the life of the worker" though it admitted the importance of the subject. These two members, however, made it go on record that the problem of making provision for old age is one which will compel early attention. Industrial life tends to break down the joint family system. Those workers who, at the beginning of their industrial career, own

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pensation problem in the preceding chapter. As already stated, we would like that invalidity of all sorts, industrial and non-industrial, should be covered by a single scheme; and the suggestions made by us here apply to the entire scheme and not to non-industrial invalidity only.

a plot of land, are often unable to retain possession, and with the passage of years the connexion with the village becomes loosened. Workers have to pass a very miserable life, therefore, in old age. They consequently felt incumbent to recommend that, until such time as it is found practicable to institute either a general scheme of old age pensions or provident funds for industrial workers, Government should, wherever possible, encourage employers by financial grants or by other means to inaugurate schemes of this nature for their employers.<sup>12</sup> But no action appears to have been taken on the recommendation of these two members.

The Cawnpore Labour Enquiry Committee was, however, anxious that some provision should be made for workers in their old age and, therefore, recommended a contributory provident fund scheme. The Behar Labour Enquiry Committee of 1940 also unanimously recognized the need of assistance for old age but it did not think in terms of pension insurance and was divided on the problem of the introduction of old age provident fund system or in the alternative of adopting the system of granting retiring gratuities. The last committee to consider this problem was the Bombay Textile Labour Enquiry Committee in whose opinion "circumstances do not permit the immediate introduction of old age pension in the cotton textile industry" in the Bombay Presidency but it suggested that "the system of paying retirement gratuities after about fifteen years' qualifying service

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<sup>12</sup>See *Report, Op. Cit.*, p. 269.

should be introduced in the cotton textile mills." They also recommended that the Government should make the provisions of the Provident Funds Act of 1925 applicable to provident funds wherever they exist for the benefit of workers.

It is clear from the above that though the social insurance approach to old age provision has been sadly lacking, there has been an anxious desire for making some alternative provision in this regard, though nothing substantial has yet been done. There has not, however, been a similar realization of the need and necessity of invalidity pension insurance and of orphans' and widow's pension insurance. But surely in near future, particularly if social insurance is given a start, howsoever humble, the demand for these insurance systems would begin to be made.

Old age pension insurance may be placed in a category separate from the category of invalidity and survivorship pension insurance for two more important reasons. The first is the fact that old age pension insurance is the most costly branch of social insurance and the other two pension insurances are cheap by comparison. Secondly, because of the foregoing reason the invalidity, widow's and orphans' insurances are likely to precede, in the chronology of their advent, the old age pension insurance.

Invalidity and survivorship insurances cover only those cases which lie beyond the domain of workmen's compensation schemes. Generally if a man who is in receipt of sickness

insurance finds that his disease outlasts the duration of sickness benefits, he becomes immediately entitled to disability or invalidity pension; and thereafter if he attains the retirement age during the state of invalidity, he can claim old age pension. In case of death, his dependants are covered by survivorship insurance and become entitled to widow's and orphans' pension<sup>13</sup>. It would thus be seen that there is a definite connection between all these types of insurance, and in the social insurance scheme prepared for this country there must be due proportional relationship in the benefits available in all these cases.

*Invalidity.* Invalidity may be broadly defined as permanent total incapacity. It has been aptly described as "an incurable condition which prevents a person from earning his living regularly in any occupation for which he is or can be fitted." In practice if a worker loses two-thirds of his earning capacity, he is almost universally regarded as having become invalid, which we in this country will do well to follow. An incapacity need not, however, necessarily be declared permanent at once and in many cases the worker would for some time get benefits under sickness insurance if such is in existence. It is only after the benefits under sickness insurance are exhausted that he would become entitled to invalidity pension. "Permanency" is taken here in an

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<sup>13</sup>Survivorship insurance takes the shape of widow's and orphans' pension schemes and cash benefits available in these cases are known as pensions.

elastic sense. The invalidity pension may have three degrees of permanency: a mere substitute for exhausted sickness benefit where medical treatment is being continued with the expectation of recovery; a pension subject to review at long intervals to take account of possible improvement; and in some laws, a permanent pension, confirmed when no prospect of recovery remains."<sup>14</sup> Proper provision should be made for each of these cases. In case the worker can be employed in some other occupation while he is undergoing treatment, every effort should be made by the rehabilitation arm of social insurance to re-train him for the new job as best as possible so as to reduce the amount of cash benefits that he would be entitled to. The amount that should be available as invalidity pension should be slightly less than the old age pension so that the worker may have an inducement to work as long as he really can. In the alternative, the two pensions may be kept of the same order as is the case in New Zealand and Denmark, with this additional Danish feature that for each year that the claim is postponed beyond pensionable age, the amount of yearly pension should be increased. The qualifying period in the case of invalidity pension may be put at anywhere between 2 and 5 years as is the current practice abroad.

*Survivorship Pension.* When a worker who was in receipt of old age or invalidity pension

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<sup>14</sup>I. L. O., *Approaches to Social Security* (Montreal, 1942), p. 56.

or a worker who is gainfully employed, dies and leaves some dependants who cannot support themselves, it is necessary to give them some financial help till the younger members begin to earn for the support of the family. The widow should be entitled to receive a pension, which is called widow's pension and which should be unconditional as is the case in Great Britain and Belgium, though steps must be taken to safeguard against death-bed marriages and the like. Every minor dependant child should again be given an orphan's pension which should stop at the age of 16 when he or she can earn a living for himself or herself. In case a child continues his education after this age, the upper age-limit of orphan's insurance would have to be pushed further for which provision should be made. Following the American and Russian model, we might fix the ordinary upper age limit at 16 and extend it to 18 if education is continued. Usually the widow and children are the only beneficiaries of survivorship insurance. If a comprehensive social security system is established, it might be necessary, at a later stage though, to pay pension to other dependants like aged parents and dependant sisters and brothers in case they are not getting some benefits under their own insurances. Survivorship benefits should, however, be paid to an unmarried woman with whom the deceased, himself unmarried, cohabited as man and wife as also to illegitimate children subject to their registration. Widow's benefit should be paid to a widow who has in her care a child for



whom child's benefit is payable or who, at her husband's death, or later, is an invalid or has attained the minimum age at which old age benefit may be claimed; a widow who does not fulfil one of these conditions should be paid widow's benefit for a minimum period of several months, and thereafter if she is unemployed, until suitable employment can be offered to her after training if necessary.<sup>15</sup> The qualifying period for such a pension must be somewhere in between two and five years as suggested in the case of invalidity insurance. The survivorship pension should be sought to be kept at the level of the pension which the worker would have received had he been alive and invalid, and in no case should it exceed the invalidity or old age pension.

*Old Age Pension.* Old age pension should be granted to workers with a view to enable them to pass their old age comfortably after strenuous work in a long productive life. For this purpose the age at which a man or woman should be regarded as old and entitled to retirement should be statutorily fixed. Old age is defined in economics as the age at which the worker is unfit for playing a normal and effective part in the productive process and when he should retire from employment. Medically old age is regarded as a sort of invalidity. Old age cannot be kept a fluctuating quantity but has to be fixed by law

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<sup>15</sup>See I. L. O., *Social Security : Principles* (Montreal, 1944), p. 44.

at a fixed age when most of the workers feel the necessity of retirement. Recommendation 19 with regard to social security made to the Philadelphia (1944) Labour Conference described old age as that prescribed age "at which persons commonly become incapable of efficient work, the incidence of sickness and invalidity becomes heavy, and unemployment, if present, is likely to be permanent." In foreign countries, old age has been fixed between 55 years and 66 years. The highest age is 66 which is found in Sweden and the lowest 55 which is found in the U.S.S.R. The highest common factor is 65 years, for men and 60 for women which is current in Australia, Great Britain and Belgium and has been recommended in the Beveridge Report, Marsh Report and Wagner-Murray-Dingell Bill. The old age pension is a sort of life annuity ; and from the point of view of workers who are not highly educated and who cannot see far ahead into the future, it is much better than provident fund or retiring gratuity. As old age pension is an extremely costly affair and is regarded as a benefit to be earned by putting in a prolonged service, the qualifying period is usually long and ranges from 10 to 20 years. In our country it would have to be kept initially at 20 years to begin with and might be reduced later if conditions permit. If a worker feels fit to work even after attaining the prescribed retirement age, he should be encouraged to do so ; and the longer he works beyond this age, the greater should be the pension to which he would become entitled after retirement.

Organizationally speaking, pension insurance must be administered through a central institution, and there is a strong case for central administration here than anywhere else. As a matter of fact, pension insurance has been centrally administered in most of the countries of the world. As we have advocated centralized administration for the entire social insurance system, this *ipso facto* applies to pension insurance, and to every other branch of social insurance for that matter. Pension insurance should also have a close connexion with other branches of social insurance; and particularly the intimacy between invalidity and sickness insurance should ever be maintained for obvious reasons. Our recommendation of a unified and comprehensive system of social insurance covers this requirement.

#### OTHER MINOR CONTINGENCIES

Besides these, there are certain other minor contingencies which call for abnormal expenses and which can be covered by social insurance. They are likely to strain the worker's family budget and require some provision. (i) Of these perhaps the most important item is that of *funeral expenses*. Funeral expenses under social insurance are almost universally available on the death of the insured but in the U. S. S. R., Norway, Czechoslovakia, etc., they are given even when a dependant wife or child dies. If complete security is to be the aim of our social insurance system, we will have to follow the Russian model in this regard which is inciden-

tally the recommendation of the Beveridge and Marsh Reports as well. Funeral benefit may be conveniently adjoined to sickness insurance as is the case elsewhere, if social insurance is likely to take some time to appear. (ii) Another case of emergency expenditure occurs when a mother is admitted to a hospital and there is need of hiring domestic assistance. In such a case, there is need of granting some domestic assistance or cash benefit which may be used for this purpose. This is contemplated under the New Zealand Social Security Act, blessed by Sir William Beveridge and recommended to the Twenty-sixth (Philadelphia) International Labour Conference of 1944. (iii) Then, again, there are some invalid persons who need constant attendance and to whom a special supplement may well be given as is the practice in the U. S. S. R., Poland and Czechoslovakia where the invalidity benefit is increased in such a case by 50%. (iv) A lump sum should also be paid at childbirth to insured women and to women dependant on male workers with a view to meet the cost of a layette and similar expenses.

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## CHAPTER VI

### SCOPE OF SOCIAL INSURANCE IN INDIA

An important question that has to be considered in connection with the introduction

of social insurance in this country is the categories of population which should, in the initial and later stages, be covered by this protective device. Social insurance in its origin and much later since then had been regarded primarily as an institution for the benefit of *industrial workers*; and even today in spite of all the advances made, the term "Social Insurance" is used, more often than not, to convey the sense of protection to industrial workers. Social insurance has thus long been used in the sense of workers' insurance. In the industrial countries where social insurance is today in existence, partly or wholly, it was brought into existence at a time when industrialization was spreading itself out and bringing more and more persons within its fold and when industrial workers had come to depend upon industries to such an extent that the ties which bound them to rural areas broke off, so that need was felt of the device of social insurance to alleviate the hardships and risks inflicted on them by modern industrialism. Since then social insurance has had its main application to these persons. But by gradual degrees its scope increased. *Commercial workers* were found to be in equal need of social insurance benefit and they have in many countries been already made the beneficiaries of its advantages while in others their inclusion is only a matter of time. In the theory of social insurance, their inclusion is not a matter of debate and is indeed well warranted from every angle. In more recent times, the scope

of social insurance has been widened to include even *agricultural workers*. The need of social insurance for agricultural labour has been felt mainly in those countries where agriculture has been mechanized and where either people have to be persuaded to stick to agriculture as in the United Kingdom or where the population dependent upon agriculture is so large that a provision for it is called for on very good grounds. *Special classes of population* like domestic servants, seamen and small-scale and independent workers have, again, been brought under this scheme in some countries and the proposals for their inclusion have been recently made in a number of others.

In has, in fact, come to be realised in recent times that a comprehensive social insurance scheme must not be confined only to a few populational categories but should extend to the limits of the entire population. Even the middle class and rich persons should be included in it. It has been recognized that even a rich man may find at times difficulty in getting the type of benefit or treatment he really requires. There are medical treatments which it is beyond the capacity of individual doctors to supply and which can only be furnished by a large scheme of national medical service having abundant resources and specialized apparatuses. Then again a man who is quite rich today might become a middle-class man or even a poor man after sometime and might become needy of social insurance benefits. Apart from it, if social insurance is going to be partly financed

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by taxation, the richer sections of the society may be made beneficiaries to the scheme on a reasonable basis with abundant show of propriety. The current idea, therefore, is that all the categories of employed and self-employed persons must be fully and adequately protected together with their dependent wives and children. The world opinion is gravitating more and more to this position; and there is no doubt that the ideas of Socialism and Sovietism, which are spreading like wild fire, will contribute their own quota in making us think in terms of the entire society rather than in those of its sections and segments. The all-embracing nature of social insurance is justified and warranted by the excellent reason that it simplifies finance, facilitates and cheapens administration, reduces risks and brings the entire programme in close intimacy with the economic and financial policies of the States. All the modern plans of social insurance and social security are universal in their scope. The Beveridge Plan includes every citizen of Great Britain. The Marsh Plan of Canada is similar to the Beveridge Plan in this respect. The New Zealand Social Security Act gives benefits in kind as well as superannuation benefits to every citizen and excludes the richer sections only in the matter of cash benefits, while similar is the case in Denmark as well. The Wagner-Murray-Dingell Bill for U. S. A. also comes substantially to this level. "Universality of scope is the essence of the modern conception of social insurance....Only by aiming

at universality will it be possible to create a social insurance system under which the citizen as worker achieves the status of effective partnership in society by contributing his quota to its resources and receiving in return from the State the opportunity to work and maintenance when he cannot work."<sup>1</sup> There would, therefore, be hardly any justification for a social insurance plan formulated as late as today to be confined to industrial workers alone. Social insurance must now cease to be class measure; it should become a national measure.

The entire population of a country can be properly divided into five categories, *viz.*, (i) employed persons, (ii) self-employed persons, (iii) dependant wives or children, (iv) idle persons having private means of support, and (v) persons unable to work or obtain work. Of these five classes, the last class is composed of persons who can be fittingly taken care of by social assistance schemes and fall outside the scope of social insurance for obvious reasons. As regards persons of the fourth class, the idle rich, society has no obligation towards them as they do not contribute by their own personal deserts to its richness and welfare. Unless, therefore, these persons are willing to do some work, they must also be excluded. Dependant wives and children constitute the third class above and should be protected by virtue of the

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<sup>1</sup> I. L. O. *Report IV (1) to the Twenty-sixth (Philadelphia) International Labour Conference of 1944*, p. 15.

insurance of the bread-winner; and we have already made detailed suggestions in regard to them at appropriate stages earlier. Social insurance must be extended to the class of employed and self-employed persons in so far as it is possible and practicable.

By this we do not by any chance mean to say that social insurance must from the very start be made to cover the entire range of employed and self-employed persons. The extent to which any particular system of social insurance can cover all these classes at its very outset and thereafter at different stages, is a highly complicated problem and is of quite a different nature to which we do not address ourselves here. But a complete social security blue-print must frame a schedule of future programme as far as possible, and describe the stages by which it would suggest the inclusion of all these categories. In the beginning only such classes may be included as are amenable to control, administration and contribution-benefit conditions. This should be kept in view especially in a country like India which is without any social insurance traditions and where circumstances are not entirely and completely favourable. The making of the social insurance programme all-embracing from the very outset would be impossible in our country on statistical, financial and technical grounds. We will, indeed, have to move by stages and by slow degrees.<sup>2</sup>

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<sup>2</sup>We have discussed this aspect of the matter in detail in Chapter VII, *post*.

We may first briefly dispose of the problem of extending social insurance to the self-employed persons of this country. Their inclusion would present difficulties with regard to the agency through which their contributions can be collected as also regarding a substitute for employer's contribution. The latter can be got over by requiring such persons to pay both the contributions (their own as well as employers') themselves ; but with regard to collection, some new machinery would have to replace the medium of the employer which is absent in this case. In the cases in which an occupation can be followed only after obtaining a licence from some authority, the latter can be made to grant a licence only on the proof of the regular payment of contributions as is done in Peru and Brazil in the case of taxi-drivers, and to cancel it in the absence of the regular payment of contributions. In other cases, the national or local authority can be made to use its established tax machinery for the collection of social insurance contributions. Collection along with income-tax is contemplated under Wagner-Murray-Dingell Bill and income-tax machinery is thus utilized by Sweden and New Zealand. Perhaps the levy of newer taxation or imposition of newer licences might be called upon with a view to bring some sections of self-employed persons under the orbit of the collecting machinery. We are only too conscious of the difficulties that will have to be faced in a country like ours where small shop-keepers, cottage workers, peasants and others work on

their own account in very large numbers and often in very thinly populated regions. In particular, self-employed cultivators will present grave problems which will mostly be of the same nature as the difficulties which the agricultural labourers would present which we have discussed below. It would indeed be some time before this category can be fully covered. We are also aware that it is not every branch of social insurance that can be thrown open to such persons. Sickness insurance, unemployment insurance and perhaps employment injuries compensation schemes cannot be obviously applied to them. Invalidity, old age and death are the only usual contingencies against which they can be insured along with employed persons.

Taking the case of the employed persons, it is almost an axiomatic fact that if and when a social insurance scheme is to be set up in this country, the first populational category that would be granted coverage would be that of the industrial workers employed in factories which are governed by the Indian Factories Act. They alone are organized among themselves, and are subject to and controlled and regulated by law, in several respects. They have again been given protection and facilities of several types and they recognize that social insurance would confer great benefits on them. They are really anxious to see that a social insurance system is established in this country as soon as possible, and they are prepared to make a reasonable contribution in this regard. Social

insurance is sure to improve their standard of living and promote their efficiency and productivity. For all these reasons, it has already been decided with regard to sickness insurance scheme that it would at first be applied to factory workers either in a few selected organized industries; or in all the organized industries and it is only afterwards, when favourable conditions come to prevail, that it would be extended to other classes of workers. We wholeheartedly endorse this decision for application to social insurance as a whole.

There seems to a consensus of opinion that social insurance cannot at present be applied to agricultural labour. Agricultural labour is extremely disorganised and illiterate; and it would be difficult to make it realise the advantages of social insurance. Then, again, if it is the contributory system which must be followed, the utter poverty of the agricultural worker is an argument against placing on him an additional burden in the shape of contribution to a social insurance fund. Thirdly, the spread of village population is so thin in populational density that it would be either extremely wasteful to establish administrative organs to operate the scheme in relation to agricultural workers or it would be not worth the trouble. Apart from these considerations, there is much in the principle of hastening slowly and building experience and profiting by it, which in our opinion must colour and shape the entire Government policy in regard to social insurance. Our finance would not permit a very ambitious

plan at the very beginning and in case the beginning is not carefully and scientifically laid out but is made top-heavy, particularly in face of an acute paucity of reliable and relevant statistics, an imposing plan covering the comparatively uncertain sphere of agricultural workers may go wrong because of this additional burden of indefiniteness and error. Because of such considerations, we feel that it would be inadvisable to extend the scope of social insurance to agricultural workers in the initial stages. If, however, the Indian agriculture is mechanized, as might happen if India comes within the orbit of a planned economy of a modern type, then some or all of these difficulties will begin to be solved automatically; and to the extent that this happens, the case for the introduction of social insurance to agricultural workers would strengthen. But that day, for all we know, is unfortunately remote. It would take some time for the Indian agriculture to begin to operate under a money economy and all that is implied by it, when social insurance can be applied to it unhesitatingly and with much show of propriety.

There, is, however, a better case for the inclusion of commercial workers. It is perhaps a general process of evolution of labour legislation that a country begins with a disregard of commercial and agricultural workers; and it is only when it has achieved success with regard to industrial workers that it moves on to include commercial workers, and finally agricultural workers. In India, there has already taken

place a good deal of labour legislation with regard to industrial workers; but it is only for some time past that the lot of workers attached to commercial establishments, which was so utterly disregarded for a long time, has come to receive attention. In recent years important cities and towns in our country have taken steps to regulate the working hours, leave rules and other conditions of employment of commercial workers, though such measures are neither universal nor equally generous everywhere. In their administration, again, there are grave deficiencies on the side of inspection and check-up. This sort of legislation can, however, be more easily passed and brought into effect than industrial-labour legislation for the important reason, *inter alia*, that the problem of international cost comparison and outside competition does not arise here. If all the commercial establishments move in unison, they cannot have any mutual competitive disadvantage for having to pay a contribution in respect of their workers. These workers are moreover generally educated or are at least comparatively intelligent to understand the benefits of social insurance. They are better risks and are amenable to greater control. Greater co-operation, in several directions, can again be expected of them in the operation of a social insurance scheme. The lack of organization among them is, however, a drawback, but this can be remedied with a little well-directed effort. For all these reasons we feel that they must be brought under the scope of a social insurance scheme drawn up



for this country, if not at the start then shortly thereafter.

The same cannot, however, be said of domestic servants. They are generally illiterate; and in their case evasion on the side of employers as well as workers would tend to become rule rather than exception. They are also extremely migratory from house to house, from city to city, from village to city, and from city to village; and will not take any lasting interest in a social insurance scheme. The problem of collection, inspection and general administration would again be difficult in their case. We do not, therefore, envisage their inclusion under social insurance in near future.

The case of Indian seamen, however, requires immediate attention. In many countries seamen are given adequate insurance benefits in respect of accidents, old age, unemployment, sickness, invalidity and death. But Indian seamen are afforded protection only in the case of certain accidents and are left altogether unprotected for with regard to other contingencies which is unfortunate for them. In fact the European seamen have been demanding expulsion of Indian seamen from the places where the latter work with them because of the bad conditions of the latter, which tend to undermine the general standards of maritime labour. There is no doubt that under a planned economy, if India is going to have one, the question of building up a strong mercantile marine would come up for active consideration at once; and if social insurance is made applicable to

maritime labour at this stage, its strength can be easily increased later as the availability of adequate protection against the usual contingencies will attract suitable labour and personnel. Even otherwise, there is no justification for leaving seamen unprotected for when foreign seamen who work along with them and in several cases on the same ships and in the same ports get all the protection they need, and more particularly when Indian workers in other spheres are going to enjoy this protection. From the viewpoints of organization, control and willingness to contribute, they do not present any serious difficulties.<sup>3</sup> We are, therefore, of the opinion that Indian seamen should be brought under the social insurance scheme along with industrial workers.

Our conclusion, therefore, is that the social insurance scheme for India must include at the very outset industrial workers engaged in factories and Indian seamen; and should shortly thereafter open in the commercial workers. Other categories of employed and self-employed persons should be drawn inside the net by slow degrees and as and when suitable circumstances present themselves.

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<sup>3</sup>For a detailed discussion, see Dinkar Desai, *Maritime Labour in India* (Bombay, 1940), Chapter X.

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## CHAPTER VII

### NATURE AND PATTERN OF EVOLUTION OF SOCIAL INSURANCE IN INDIA

We have discussed in preceding chapters the structure and scope of social insurance system that should be set up in this country. What pattern of evolution should this system assume and what should be its nature in other important respects, are other vital issues which require close attention. In regard to the evolutionary pattern, the time factor and stagification are particularly of essence.

#### UNIFICATION

There can be no two opinions on the point that it would be irrational and wasteful for us to adopt the process of evolution followed by other countries or to start without an established plan in this regard. In the United Kingdom and other countries, the different branches of social insurance came into being in a most haphazard manner and without any deliberate system or planning or mutual co-ordination, and they can best be described as historical accidents. As need was felt for or circumstances became favourable to one branch or the other, it was adopted as an individual whole without keeping eye on the older branches and their nature or on the branches which might have to be brought into being later. Such an individualistic, unco-ordinated and unsystematic growth is bound to possess many drawbacks

which are fully rampant in western countries. A close study of the Beveridge Plan, for instance, clearly shows that the British system of social insurance at present possesses many fundamental deficiencies and drawbacks despite the fact that it is better than any other like system in the world; and Sir William Beveridge proposes to remove these shortcomings by bringing about proper unification and co-ordination of its various limbs. A major defect of the British and other systems is the existence of a variety of administrative organs which operate quite separately and independently in their own peculiar manner, with the result that, besides other disadvantages, the cost in terms of money and trouble is much more than what it would be otherwise. Then, again, it is paradoxical that for risks and events which are in no way materially different from each other, there are different contribution conditions and benefits, which is directly ascribable to absence of unification. The income needs of a man who falls sick are in no way materially different from his income needs when he is thrown out of employment, but in the two cases in Britain he would get different benefits, which does not make sense. It is a truism to state that piece-meal solutions often lead to a frittering away of financial resources and duplication in a variety of ways, which should be rigidly avoided in every sane and logical system. An un-unified system is, again, the battle-ground of much avoidable litigation and bickerings in which one branch tries to

shift and father a claim on the other branch and the whole affair calls for a constant vigil on the part of the inspectorate and the executive, and bulky and numerous case laws and frequent amendments. Such a system is sure to make the beneficiaries subject to great difficulties, if not actually hardships. In order to keep our social insurance system free from these and other like shortcomings it is necessary that it should be made unified and co-ordinated right from start. It would be irrational and wasteful to slavishly ape the foreign pattern of growth to the extent of imitating even their defects, drawbacks and deficiencies; and on the ground of lack of finances, unsuitability of time and unpreparedness for social insurance, to create patches rather than parts of a systematic whole. What was historical necessity abroad must not be followed by choice in this country. On the other hand, we must make every effort to learn from and profit by their experience. Unification of administrative machine can be depended upon to secure economical operation, procedural simplification, reduction in litigation and comprehensive protection to workers.<sup>1</sup> Unification eliminates duplication of staff, anomalous inequalities of treatment and gaps, and overlapping in the network of protection, and yields the advantages of a set of regulations simple enough to be understood by the insured person. At

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<sup>1</sup>See Joseph L. Cohen. *Social Insurance Unified* (London, 1933), p. 78.

present in certain countries it is impossible for an insured person to understand the rights that the law allows him without studying hundreds of pages of regulations.<sup>2</sup> The expert opinion, as such, has come to veer round the truth that a system of social insurance brought into being by a process of haphazard growth has nothing to recommend itself; and authorities like Sir William Beveridge, Joseph L. Cohen and others are one in advocating a unified system of social insurance, which should, indeed, be our ideal.

Social insurance by industry and social insurance by regions have been the slogans of some persons in the past but they have all been laid low in recent times.<sup>3</sup> Each of them would be as much defective and full of shortcomings as social insurance by risks. The localisation of social insurance cannot be justified in theory; and with a view to reduce risks the coverage of the widest possible geographical area is the desideratum. The case of insurance by industry is equally weak, and in recent years there has arisen a growing volume of opposition to anything of this sort. The intimate connexion of one industry with another suggests that social insurance risks might travel from one industry to another, and there is the necessity of hitting the head of the evil wherever it raises itself with the all-industry-embracing

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<sup>2</sup>I. L. O., *Report IV (1) to Twenty-Sixth I. L. Conference* (Montreal, 1944), p. 35.

<sup>3</sup>See Joseph L. Cohen, *Op. Cit.*



strength and force. It would, as such, be inaccurate and unwise to mark off one industry from another and set up industrywise social insurance organizations. In unemployment insurance, for instance, the case of insurance by industry has become definitely untenable. "To-day the common argument is that the volume of unemployment in an industry is not to any effective extent within its control; that all industries depend upon one another and that those which are fortunate in being regular should share the cost of unemployment in those which are less regular." Similarly in the matter of health insurance, the modern feeling is altogether in favour of totality and unification. As regards workmen's compensation, there is the same situation. The Mine Workers' Federation definitely represented to the Royal Commission on Workmen's Compensation in Great Britain that as other industries cannot exist without coalmining, the employers in all industries should bear equally the cost of industrial accidents and diseases in coalmining as elsewhere.<sup>4</sup> It is to the ideal of unification, indeed, that all the social insurance schemes are gravitating. In the midst of such tendencies and arguments, the unification is an ideal which must ever be kept in sight while framing a social insurance schémé. It would be unpardonable today to work along separatist lines, whether they follow individual industrial, individual regional, or individual risk grooves.

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<sup>4</sup>See Beveridge, *Social Insurance and Allied Services* (London, 1942), para. 25.

"All the recent social security plans, viz., Beveridge Plan in England, the National Resources Planning Board's Scheme and the Wagner-Murray Bill which is based thereon, the Marsh Scheme in Canada and the Social Security Act of 1938 of New Zealand, all realise that the different social risks covered by social insurance create the same effect on workers and consequently should be unified in administration, contribution and benefits."<sup>5</sup> Even in other countries where such plans have not yet been framed, the drift is towards unification despite all sorts of vested opposition. In Sweden, it is true, the Social Welfare Committee of Enquiry which was set up in January, 1938 and which is still continuing its deliberations, has not yet been able to advise in favour of unification, but it is because of the interested opposition and it is hoped that "perhaps experience in Sweden and in other countries will show later that such great advantages are to be gained from merging the different branches of insurance into a single scheme that the present objections will lose weight. Hence the attitude adopted by the Committee is not to be regarded as final."<sup>6</sup> In India where there is no opposition to unification by any vested interests and where we would be starting practically with a clean slate, there could be no earthly reason for not following this

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<sup>5</sup>Samuel Eckler. *Modern Social Security Plans and Unemployment* in the INTERNATIONAL LABOUR REVIEW, November, 1943, p. 556.

<sup>6</sup>*Social Planning in Sweden* in the INTERNATIONAL LABOUR REVIEW, September 1943, p. 314.

pattern without pitting oneself against intelligence and defying all sense. A properly unified system alone can bring that rationality and sanity and a square deal between insured *inter se* and between one risk and another, without which a system of social insurance must ever remain an anomaly and conundrum.

### PATTERN OF EVOLUTION

We must not be understood to suggest that we will have to implement, in case we must adopt the principle of unification, a full-blooded and full-fledged social insurance scheme in this country all atonce, in all its forms and manifestations. This we simply cannot do. We cannot build Rome in a day. Our resources will not be equal to the task. Our Governments, which have been consistently starving all the nation-building activities so chronically, would not be able to subsidise the entire scheme today. Our workers, groaning under the towering burden of unpaid and outstanding items of expenses and debts, would not be in a position to contribute in respect of provisions against all the contingencies atonce. Our employers might similarly be unable to contribute adequately, within the limits imposed upon the paying capacity of the industry by unabated competition from foreign sources invited by the pregnability of our Constitution, in respect of all these schemes of social insurance under the existing circumstances or those expected in the wake of peace. If social insurance is nothing more than a redistribution of a fraction of our income in

a particular manner, it is logical to understand that unless the aggregate income, of which the fraction is to be thus redistributed, is so large as to allow adequate provision of the sort which is intended and desired in the shape of social insurance, it would be fruitless to set up the latter for it simply cannot be afforded. The tripartite contributory system cannot be expected to work if it is channelled and canalised to the confluence of all the branches rather than to each tributary separately and at different period-points. We must candidly realise that we cannot adopt the whole of social insurance system in one single attempt under the existing circumstances.

We, of course, presume while making the above statement that the social insurance system might have to work without the framework of a planned economy. At present we do not have an economic plan working in this country; but in case one is adopted and worked in near future, it would certainly be so framed as to make generous provision for the introduction of a complete system of social insurance to serve as a bulwark to the standard of living of the people which would not be allowed to drop below a certain minimum level. Increase in national dividend and *per capita* income would then make such a scheme not only possible but also feasible. But as we are not very sanguine about the advent of that auspicious event in our economic annals in near future, it would be extravagant to begin building castles in the air and aspire for a complete social insurance system in near

future in this country. There is something at least in the employers' opposition to a sudden introduction of the entire system, which deserves serious thought. If the employers are made to pay in respect of all the branches of social insurance without at the same time adopting an economic plan, their cost of production would undoubtedly rise and that in a world where economic penetration is taking an aggressive turn and foreign countries are adopting fair and unfair means of lowering the prices of their goods in Indian markets with a view to undersell Indians in as large a range as possible—a process which seems to have already started. It is, no doubt, true that social insurance would benefit the employers in several respects and they would reap all the advantages as flow out of the stability of employment and of labour supply, increasing efficiency of workers, reduction in the intensity and frequency of industrial unrest and so forth; but we must not brush aside the fact that such a correspondence between cost and benefits to the employers can not be unchallengeably established on theoretical or practical grounds. Apart from it, there is sure to be a time-lag between cost and benefit; and as in this time-lag the problem competition would be keen and acute, there is good reason for the adoption of a smooth process of stage-by-stage evolution.

Our advocacy of a unified system of social insurance and opposition to the introduction of the entire system of social insurance at one stroke of pen are not, however, of the

same category to which the worn-out argument that the present is not the opportune time for the introduction of social insurance in this country, belongs. For we definitely maintain that all the contributories to the tripartite insurance fund in India can at present certainly contribute in respect of one or two risks, if not in respect of all the risks at once. That is within the paying capacity of all the three parties as is apparent from their recent attitude in this regard. More specifically, we would suggest the introduction in our country of one branch of social insurance after another, according to a predetermined schedule and pattern, so that while we may implement only one branch at a time and one after another according to our resources and requirements, every new branch which is called to life does not follow its own path and contribute to a haphazard and asymmetrical growth, but occupies its own place in the harmonious and rhythmical pattern drawn up in advance and to be realised at the end.

This would, in our view, be the ideal pattern which we can recommend for adoption in our country. Though we do not know how the Government mind is working in this direction, yet it appears that they are already approaching the problem from this angle, consciously or unconsciously. They first appointed Mr. B. P. Adarkar to draw up a scheme of sickness insurance for this country; and now they have appointed the Labour Investigation Committee with terms of reference as described

above. What we do not, however, fully understand is the reason of the Government's decision to give the task of framing the actual scheme of social insurance to another committee to be subsequently appointed. Surely the Committee which is entrusted with investigation can as well draw up a suitable scheme of social insurance. This procedure would be economical in points of money, time and energy. Should this be the result of a fear that the drawing up of the whole scheme would mean its immediate introduction and therefore the present method has been adopted simply to while away time, we would say that this fear is altogether baseless and the indirect process now adopted entirely unnecessary. The Government should make their policy in this regard clear and definite and this, we hope, would go a long way in clearing the present foggy atmosphere. We would, therefore, suggest to the Government of India that they must:—(i) declare their intention of introducing a comprehensive and unified system of social insurance in this country in due course of time; (ii) commit themselves to the principle of hastening slowly and of following a process of stagified evolution of social insurance; (iii) give to the Labour Investigation Committee the actual task of framing the social insurance scheme for India; and (iv) introduce sickness insurance scheme as soon as possible. This policy would allay all suspicions, remove false fears, satisfy workers as well as employers, strengthen the case for economic planning, and generally improve the

prospects of the introduction of social insurance in this country.<sup>7</sup>

#### PRIORITY SCHEDULE

If we want to introduce social insurance in India in a step-by-step manner, the problem of fixing a priority schedule of its various limbs has naturally to be faced. It is almost an axiom in social insurance that sickness insurance is pre-eminently suited to be the first scheme to be introduced. This was the first system to make its appearance in most of the foreign countries, and is the simplest and most workable on account of the comparative fixity and predictability of the risk involved and the ease of administration and dispensation of benefits. Indeed, the actuarial system, causing such serious complexities ordinarily, can be entirely got over by the adoption of the assessment or budgetary technique in this case. To the sickness insurance, which can perhaps be paid for by all the three parties concerned at the present moment without any serious difficulty, should be slowly and gradually added up other types of social insurance schemes.

But if sickness insurance is admitted to be the first branch of social insurance that should be introduced in this country, it would be also conceded that the last instalment of social insurance to come into being would have to be old age pension insurance. The total

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<sup>7</sup>Cf. my article entitled *Evolution of Social Insurance in India: Some Practical Suggestions* in the INDIAN TEXTILE JOURNAL (Bombay), November, 1944.



burden of a complete system of social insurance is to a fairly large extent the result of old age pensions which constitute its costliest offshoot. According to the Beveridge Plan, for instance, in the year 1965 the retirement pensions would amount to £300 millions out of a total social security expenditure of £553 millions, *i.e.*, 54% of the entire finances. The following table makes this point clear.<sup>8</sup>

*Estimated Social Security Expenditure in  
1945 and 1965*

	1945 £ millions	1965 £ millions
<i>Social Insurance :—</i>		
Unemployment Benefit (including training benefit) ... ..	110	107
Disability Benefit other than industrial ... ..	57	71
Industrial Disability Benefit, Pensions and Grant ... ..	15	15
Retirement Pensions ... ..	126	300
Widow's and Guardian Benefit ... ..	29	21
Maternity Grant and Benefit ... ..	7	6
Marriage Grant ... ..	1	3
Funeral Grant ... ..	4	12
Cost of Administration ... ..	18	18
<b>Total Social Insurance ..</b>	<b>367</b>	<b>553</b>
<i>National Assistance :—</i>		
Assistance Pensions ... ..	39	25
Other Assistance ... ..	5	5
Cost of Administration... ..	3	2
Children's Allowances ... ..	110	100
Cost of Administration... ..	3	3
Health and Rehabilitation Services	170	170
<b>Total ...</b>	<b>697</b>	<b>858</b>

<sup>8</sup>Beveridge, *Op. Cit.*, para 268.

This is the reason why, generally speaking, old age pension insurance is the last branch of social insurance to be implemented. This practice would have to be followed by us all the more because of our proverbial poverty. There is no doubt, therefore, that in the chronology of social insurance events, the advent of old age or retirement pension insurance would figure at the very end.

While it is comparatively easy to fix up the first and the last instalments of social insurance protection, it is not equally easy to give a preference-scale for the intervening range, on which point, indeed, considerable difference of opinion is bound to exist. Still, on the basis of the past history or background developments in respect of social insurance and labour protection proposals in this country and other relevant indications, we can make bold to attempt what we regard as a reasonable order of stagification.

As soon as health insurance has begun functioning smoothly, immediate steps should be taken to merge into it the industrial accident insurance and maternity insurance, which can be done without any administrative or technical difficulty. Industrial disability insurance and funeral insurance, which do not cost much, may also be grafted on to the sickness insurance nucleus at an appropriate stage. It should not take more than two or three years since the inception of the complete sickness insurance to have this programme put into action. But progress after this would have to be slow for

reasons of our poverty, need of administrative consolidation and experience, desirability of examining every now and then that the measures devised upto date are meeting with success, and the prudence of hastening slowly. The next scheme to be introduced should be unemployment insurance for which the demand has been quite insistent and genuine for some time past, the operation of which would be greatly facilitated by the existence and operation of employment exchange machinery in this country and which can be easily extended and geared up to a level where it can be integrated with unemployment insurance scheme, and the cost of which would also not be very great in view of labour scarcity and lack of unemployment on anything like the western scale. For some time in the beginning, indeed, the cost of unemployment insurance would be zero for the condition of qualifying period would take a few years to be satisfied; and it would be grievously wrong to make the reason of financial stringency an immortal bogey. The next branch of social insurance to follow in order should be non-industrial accident insurance, invalidity pension insurance and survivorship pension insurance; and the process would be completed by the establishment of old age pension insurance. The need for them would have to be satisfied only after a few years when we are financially, administratively and technically fitted for such an introduction. In the first two cases, the qualifying period varies usually from 2 to 5 years while in the case of old age insurance,

it is about 20 years. It might therefore appear from a distance that if the qualifying period is fixed at its maximum, it would be possible to introduce these measures at the very start, for the claims would arise only after 5 years in the first two cases and 20 years in the last case. But apart from the questionable proposition that we would be able to introduce invalidity and survivorship pension insurance within a course of 5 years during which period a lot of other things will evidently have to be done, there is the fundamental problem of the ability of industry, labour and State to bear the cost of these insurances together with other branches all at once, to which we are gravely doubtful. In case the economic plan of the type that has been put forward by the Eight Industrialists is put into operation, there is no doubt that a social insurance plan containing all the important branches can be brought into operation within a decade and a half which the Industrialists' Plan is made to cover. But as the planning prospects in this country are extremely gloomy, it would be unrealistic and visionary to build up a programme of the evolution of social insurance on that assumption.

#### GENERAL CHARACTERISTICS OF SOCIAL INSURANCE SCHEME

We may also briefly indicate the leading characteristics of the scheme of social insurance that should be framed for this country. We have already dilated upon the facts, *inter alia*, that it should be very comprehensive so as to

provide adequate coverages against the whole host of industrial risks to which industrial workers are at present exposed; that it should also be perfectly unified; and that it should follow detailed order of stagification in which regard we have also made some provisional suggestions. Besides these, there are some other important characteristics which a satisfactory system of social insurance for India must feature and some of which we have incidentally referred to earlier.

The scheme must, for one, be contributory. A non-contributory scheme is derogatory to the workers and undermines the fabric of their moral integrity, self-respect and self-reliance. There is, consequently, in some countries a strong resentment in the midst of the workers of anything smacking of charity and of the character of poor relief. Even if this is not the attitude of the workers in India at present, the day is not far off when with growing education and knowledge, their attitude would pass through a similar mould. If the scheme is contributory, the workers can see the connexion between the amount, duration and frequency of benefits and their level of contributions; and while exercising a control over their own demands for benefits, they can also exert a sobering and restraining influence on the malingering tendency of their fellow-workers. It is, therefore, absolutely essential that every worker, however small his earnings may be, must be asked to pay at least something towards the tripartite insurance fund.

The scheme must again be compulsory. The age of voluntary social insurance is past and nowadays when we speak of social insurance, we imply compulsory social insurance. Sir William Beveridge, in his valuable Report, uses the term social insurance in its compulsory sense. If it is not compulsory, the workers who are in the lowest category of economic status would fail to get its benefits for reasons of ignorance and poverty, whereas those who are comparatively fitted for providing against contingencies themselves would derive all its benefits. "The average individual is an optimist. He does not expect to be out of employment, to be ill, to be injured in his work, or even to grow too old to work."<sup>9</sup> Moreover, due to a defect in his telescopic faculty, the worker, more than anybody else, exaggerates the present need for better food, better living conditions etc. and sacrifices the future to realise them. The workers have been seen in many countries to risk money in speculative ventures under the lure of "get-rich-quick" fever, but if left to their own choice in the matter, few of them will voluntarily obtain insurance against the social risks. Compulsory insurance is necessary for such optimists, ignorant and poor persons. Such a scheme can, again, make available that large area of operation which goes to reduce risks and give free play to the theory of probability or of inertia of large numbers which is the cornerstone of insurance of every shape and form.

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<sup>9</sup>Seager, *Social Insurance* (New York, 1910), p. 11.

The scheme must also promise adequate benefits. Adequacy of benefits is a matter of prime importance; for unless this is assured, the income-maintenance, which social insurance seeks to establish, cannot be fully realised and misery and degradation would continue to haunt the workers though perhaps with reduced intensity. In Britain, for instance, the existing branches of separate social insurance do not promise adequate benefits all along the line, with the consequence that despite social insurance, the standard of living of the workers in several important industrial localities has been found to be below the minimum. Should this happen in India as well, the social insurance plan would have defeated its very purpose.

There should, moreover, be an attempt to connect benefits to the cost of living. Income maintenance alone, unless the income that is sought to be maintained is joined with standard of living through the nexus of price level whose movements are constantly kept in vigil and the benefits are varied in sympathy as required, would be a sordid and pointless ideal to stick to in an unconditional manner.

This raises the important technical problem of the shape of contributions and benefits, the problem of flat rate *versus* proportionate or percentage rate, on which much attention is bound to be focussed in this country very shortly. There is no denying the fact that if contributions are kept within the paying capacity and benefits graduated according to the standard of living of workers, the system

of fixing benefits as a percentage of the wage is ideal, as has been the practice in the majority of foreign countries, though Britain is a notable exception. But where adequate and reliable data are not available and there is a want of past experience and where need of simplified technical, actuarial and administrative apparatus is pre-eminent, the flat rate principle is the only thing to adopt and follow. Speaking about unemployment insurance in Britain, Mr. Thomas Ackland, the Government Actuary had observed :

No data are available which would enable the rate of unemployment to be deduced on what might be considered an actuarial basis, and (apart from desirability) it is not possible at present to attempt any differentiation of the rates of contributions or of benefits in respect of (a) the ages, (b) the occupations, and (c) the rate of wages of the workmen engaged.<sup>10</sup>

The International Labour Office also very aptly observes that "a variable rate has the advantage over a flat rate of affording the recipient assistance in keeping with his resources and standard of living. On the other hand, it means that the insurance institution must always know what the wage is which is to be taken as the base for calculating the sickness benefit (basic wage)."<sup>11</sup> "From the point of view of the management of the insu-

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<sup>10</sup>Quoted by J. L. Cohen, *Insurance Against Unemployment* (London, 1921), p. 206.

<sup>11</sup>I. L. O., *Compulsory Sickness Insurance* (Geneva, 1927), pp. 199-200.



rance institution, benefit at flat rates offers several facilities. Once the claim of the applicant has been established, the benefit can be paid without any process of adjustment to the particular circumstances."<sup>12</sup>

In the peculiar conditions obtaining in our country, we will have to start with the flat rate basis and approximation to the standard of living and price variations will have to be made by means of constant revision and the provision of supplementary benefits. Whether after some time we can switch over to the variable system, cannot be dogmatically stated here for the strength of a solidified system at the time the change is proposed cannot be foreseen. This of course does not rule out the examination of the need of the change-over and the need of efforts to bring it about.

Another important point is that social insurance benefits should be related to the family needs and its size. The requirements of a large family would evidently be more than those of a small family; and if adequacy of benefits is the ideal, the benefits would have to vary according to the size of the family. This, in other words, points to the necessity of giving allowances to children. This is the "Assumption A" of the Beveridge Plan; and must be followed in our country as well and be made a part and parcel of the entire edifice of social security. As we have observed below, we might

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<sup>12</sup>*Ibid.*, pp. 198-199.

not be able to put this programme into action all at once; but we wish to emphasise that it must not be supposed that we have established a full-fledged system of social security without making provision for children's allowances.

The social insurance scheme framed for this country must also have an efficient preventive and restorative arm in fully developed form with a view to reduce cost of benefits and extent of suffering. This idea has recently become very popular in England and America, has also travelled to the Continent and to other countries,<sup>13</sup> and has become an essential feature of a modern social insurance scheme all the world over. The emphasis on preventive and restorative measures is an important feature of all the modern social security plans. The programmes of quickly restoring the invalid, the disabled and the unemployed have become important features and parts of such schemes. The Beveridge Plan, for instance, provides for a comprehensive rehabilitation service and training benefits. Training and guidance facilities are to be furnished under the Marsh Plan. Comprehensive health services for all is emphasised in all the modern plans. Prevention of unemployment is again an integral part of the Beveridge, Marsh and National Resources Planning Board Plans.<sup>14</sup> Even in the absence of such conscious

<sup>13</sup>See, for instance, *Social Planning in Sweden* in the INTERNATIONAL LABOUR REVIEW, September, 1943, p. 311.

<sup>14</sup>See in this connexion my article entitled *Modern Social Security Notions and Their Application to India* in the INVESTMENT AND FINANCE (Delhi), July 30, 1944.

growth of the preventive arm as part and parcel of social insurance, the effect of introduction of social insurance is mitigative, and the history in foreign countries shows that the introduction of insurance in every line has led everywhere to the invention and adoption of preventive measures.<sup>15</sup> "Prevention," Dr. Manes rightly observes, "is a matter of primary importance in the whole range of social insurance. The insurance institutions take infinite trouble and spend large sums on the improvement of the health conditions of the millions of persons insured, on accident prevention and the prevention of incapacity for work, and, when invalidity has already been established, on the reduction of its harmful effect."<sup>16</sup>

Industrial Rehabilitation is, however, a term which is not clearly understood and is often loosely used. It aims at the restoration of the injured, invalid or unemployed workers in their employment to some useful and remunerative occupation so that in spite of their handicaps they might again become the productive members of the society. Rehabilitation is sometimes understood to mean vocational re-training but that is its very narrow concept. In its broadest sense rehabilitation includes several things. Firstly, "rehabilitation may step in where medical aid ends and help

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<sup>15</sup>See Cohen, *Insurance Against Unemployment*, (London, 1921), p. 54.

<sup>16</sup>Manes, *Insurance: Facts and Problems* (New York 1938), p. 116.

to restore the use of certain members of the body which have been damaged. A badly injured arm, leg or back, for example, may be surgically healed but its function entirely gone. By means of physiotherapy and other specialized forms of treatment, joints which have become stiffened or ankylosed, and bones, nerves, tendons and muscles which have been impaired by fracture, dislocation, crushing, laceration or infection are restored as nearly as possible to normal. Even when such physical reconstruction activities are conscientiously carried on, there will always be a large percentage of those suffering serious disabilities who will never be able to resume their previous occupations. Many of these, however, could be trained to perform some other duties, so the second angle of rehabilitation is concerned with fitting disabled workmen for the occupations to which their aptitudes and physical conditions appear best to adapt them. The third naturally follows from the second since it entails the placement of physically reconstructed and vocationally retrained men in positions where they are able to gain a livelihood."<sup>17</sup>

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<sup>17</sup>McCahan, *State Insurance in the United States* (Philadelphia, 1929), pp. 68-69.

## CHAPTER VIII

### THE PROBLEM OF SOCIAL INSURANCE FINANCE IN INDIA

The most important problem involved in the matter of the introduction of a social insurance system in a country is the problem of securing the wherewithal to finance it, which to be sure is a very costly affair. From the income disbursement accounts kept in the U. S. S. R. and New Zealand where security plans are actually functioning and from the proposals incorporated in the Beveridge Plan for Britain, Marsh Plan for Canada and Wagner-Murray-Dingell Bill for U. S. A., it has been estimated that the financing of a comprehensive plan of social security requires about 10% of the total national income, which is a colossal sum. It is perhaps a truism to say that were finance not a problem in this regard, every country would have had a satisfactory system of social insurance long ago. In other words, if a country does not at present possess a social insurance scheme, its main reason has to be sought not so much in its lack of realization of the need of this protective device, or lack of social sympathies, or in any such factor, as in the financial stringency which has defied in many countries, including India, the introduction of a satisfactory social insurance plan. The financial problem, as such, requires thorough enquiry and investigation.

The fund which is used for the financing

of social insurance usually arises out of tripartite contributions. The three contributing parties are obviously the employers, workers and State, who must bear their respective share of responsibility in the matter. The employer must contribute if only for the reason that he stands to gain from the increased efficiency of labourers arising out of the provision of social insurance protection. Though it is not possible to prove, or for that matter disprove, the fact that the employer is a net gainer in such a deal<sup>1</sup>, it is a matter of common acceptance in foreign countries that such a rise in efficiency does take place as a result of the income security provided to workers by social insurance. Lloyd George, while introducing the National Insurance Bill in the House of Commons on May 4, 1911, referred to the experience of German employers that a great social insurance scheme removes a great strain of pressing burden and anxiety from the shoulders of the workers and thereby increases their efficiency enormously, and he quoted letters of German employers in support of this view. "There is this very curious position in Germany," said he, "that the employers, and the largest employers, are voluntarily offering to increase their contributions to national insurance for increased benefits. That is the view taken by the employer in Germany."<sup>2</sup>

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<sup>1</sup>Also see Manes, *Insurance : Facts and Problems* (New York, 1938), pp 111-113.

<sup>2</sup>See Lloyd George, *The People's Insurance* (London, 1912), pp. 10-11.

Even in our country, the work done by employers of their own accord for the benefit of their workers in similar respects is only partly the result of their charitable disposition, for it can be said on the authority of the Royal Commission on Labour that non-employers have realised that such measures lead to enhanced labour efficiency and productivity. "Alertness and skill of workers protect machinery from damage and make for its longer life. They protect materials against waste by spoilage and permit faster operation and the production of better goods.... Absence from work due to disease forces replacements, permanent or temporary, and lowers efficiency. If means can be found, by provision for adequate treatment, to shorten the period of illness, or prevent it, there is clear gain. In general, assurance of reasonable freedom from these risks should free the worker from worry and enable him to give more undivided attention to his work."<sup>3</sup> Apart from it, as Sir William Beveridge says, "What he (employer) pays as insurance contribution is part of the cost of his labour—from his point of view an addition to wages. At whatever reasonable point employer's insurance contribution is fixed, it is a small part of his total bill for labour and of his costs of production; it is the sign of an interest which

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<sup>3</sup>Mowbray, *Insurance: Its Theory and Practice in the United States* (New York, 1937), p. 508.

he should feel and does feel in the men who work under his control."<sup>4</sup>

The worker himself must as well contribute, for the obvious fact that he is the only direct recipient of all the benefits given under the scheme. It is for his good that the scheme is implemented and operated. By paying a part of the total cost of benefits he receives, he can enjoy these advantages with a sense of self-respect and without any qualms of conscience or a feeling that he is living on charity. The British workers, for instance, are deadly against any non-contributory scheme for this very reason. In that country, "the popularity of compulsory social insurance today is established, and for good reason; by compulsory insurance, so long as it is confined to meeting essential needs, the individual can feel assured that those needs will be met with the minimum of administrative cost; by paying, not, indeed, the whole cost, but a substantial part of it as contribution, he can feel that he is getting security not as a charity but as right."<sup>5</sup> In India also the workers seem to be coming to the point that a contributory scheme will ultimately be superior to a non-contributory one.

Finally, the State has a definite responsibility towards the poorer sections of the society who can best be protected by the device of

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<sup>4</sup>Beveridge, *Social Insurance and Allied Services* (London, 1942), para. 297.

<sup>5</sup>*Ibid.*, para. 296.



social insurance. It is a well-known fact that usually the State bears the expense of public poor relief, including the maintenance of almshouses, charity hospitals, and like institutions. Insanity, though not often the direct result of poverty, is closely associated with pauperism, as is crime; and the maintenance of insane asylums, prisons, and police forces is a public expense. To the extent, then, that the elimination of the risks tending to cause poverty or pauperism reduces these needs, the Government have a direct financial interest in promoting that elimination. This is, however, taking a very mercenary and least human view of the matter. The Government interest in the prevention of social risks is in fact much broader. Pauperism has been rightly called a "social disease, radical, contagious and hereditary. Its ranks are continually supplied from above, and every accession suggests a possible hords of Ishmaels or Jukes."<sup>6</sup> Besides, producing the direct monetary costs, by lowering standards it also tends to involve the well-being of society as a whole, exposing its members to the danger of epidemics and the violence of radical discontent. Social insurance is a way out of such disheartening conditions. "The advantage of the scheme to the State is, of course, in a happy, contented and prosperous people."<sup>7</sup> Just as Government furnish education free to all and consider the cost well spent,

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<sup>6</sup>Lewis, *State Insurance* (New York, 1909), p. 17.

<sup>7</sup>Lloyd George, *Op. Cit.*, p. 11.

so they should also encourage and assist in the elimination of social risks because of the benefit that will accrue to the society as a whole.<sup>8</sup> The State should, indeed, regard that part of its income which is spent on social insurance as disbursement according to the well-known objective of taxing the rich for the benefit of the poor. To it, social insurance expenditure is a channel of distributing the national income with a view to make it more favourable to the poor. The seemingly large amounts which the State must contribute to the fund is "not large in relation to the total national income and the Plan for Social Security is only a means of redistributing national income so as to meet openly the needs which must be met in one way or another."<sup>9</sup> Indeed unless the State is willing to contribute its own share, it would not be possible to operate a social insurance scheme at a satisfactory benefit-level and in a comprehensive form. Moreover, if the State is to take the initiative in this matter, it would be rather anomalous for it to ask the employers and workers to contribute while itself repudiating any claim on its purse and resources.

Indeed, the triple-contribution picture has by now become the usual method of social insurance finance; and the methods of individual finance have lost advocates except in the case of social assistance where State alone has

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<sup>8</sup>Mowbray, *Op. Cit.*, p. 507.

<sup>9</sup>Beveridge, *Op. Cit.*, para. 299.

to find the total finance. The method of making the employers alone bear the entire cost of such measures, which has been the system that has hitherto been followed in this country in connexion with workmen's compensation and maternity benefit, is evidently very unfair to employers and is full of flaws of logic and in operation which we have already witnessed. The other method of this nature is that of voluntary insurance and consists in leaving the workers to their own resources which unfortunately are so limited and inadequate that any *laissez faire* attitude in this regard is nothing sort of criminal neglect. When the State alone has to provide the entire financial resources for the working of a measure, this, within the integument of the capitalistic framework would become social assistance rather than social insurance; besides, 100% State finance of social insurance strictly so-called will become non-contributory and open to serious objections on that account. While it would thus be unfair and improper to put the entire financial burden of social insurance measure on any one party, it would be no less unfair and improper to let any particular party escape its burden which will then have to be partitioned between the two remaining interests. All the three interests involved in the matter must really co-operate, work together, and actively participate in all matters including finance if a scheme has to be comprehensive and satisfactory in all directions.

If it is agreed that all the three parties must

bear the financial burden of the scheme, the logical question that arises is as to what should be the exact share of each of them. It should be mentioned in this connexion that there has been a tendency during the last fifty years to increase the employer's burden, reduce the worker's responsibility, and make the State financially participate in almost all the social insurance schemes. When social insurance scheme was introduced in Germany, there was a tendency to put its major financial burden on employers, but with the passage of time greater responsibility has come to be placed on the shoulders of the State. The present situation is substantially as follows: (i) Pension and unemployment insurance schemes are generally maintained by contributions from workers, employers and the State. Notable exceptions are U. S. A. where unemployment schemes are financed by employers alone, the Netherlands and Spanish pension schemes which are financed by employers and the State, and the Greek pension and Italian unemployment schemes which are financed by employers and workers. It should be noted that employers contribute in every case. (ii) Sickness insurance schemes are generally financed by employers and workers. In Chile and Peru, however, this is not the case. In Great Britain, Eire and Norway, sickness insurance receives State contributions but they relate to the pensions which are provided along with sickness benefits. (iii) To all the special schemes meant for salaried employees or occupational groups, workers

and employers contribute whereas no rule governs the State participation. In Brazil equal tripartite contribution is the rule, in Argentine State guarantees the payment of railwaymen's pensions only, and in Czechoslovakia and Germany, no contribution is made. (iv) The national social insurance schemes of New Zealand, Norway and Sweden are financed by contributions of citizens and State subsidies while in Denmark and Finland, employers also have to pay something.<sup>10</sup>

The recent social security proposals, however, invariably involve large contributions from the State<sup>11</sup> and it is as clear as anything that in future the State would be called upon to bear an increasing share of the cost of social insurance measures. It is, therefore, surprising that in spite of it the recommendations put by the I.L.O. before the Twenty-Sixth (Philadelphia) International Labour Conference of 1944 verged on narrowness. They ran as follows :

"73. The cost of benefits, including the cost of administration, should be distributed among insured persons, employers and tax-payers in such a way as to be equitable to insured persons individually, to avoid hardships to insured persons of small means, and to cause least disturbance to production.....

"76. (1) Employers may be required to contribute, particularly by subsidising the insurance of low-wage

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<sup>10</sup>See I.L.O., *Approaches to Social Security* (Montreal, 1942), pp. 67-68.

<sup>11</sup>See my article, *The Application of Modern Social Security Notions to India* in the INVESTMENT & FINANCE (Delhi), July 30, 1944.

earners, as much as half the total cost of benefits confined to employed persons, excluding compensation for employment injuries.....

"79. (1) The residual cost of benefits should be met from taxation.

(2) Among the elements which may properly be included in the residual cost are: (a) the contribution deficit resulting from bringing persons into insurance when above the minimum age for entering employment; (b) the contingent liability involved in guaranteeing the payment of basic invalidity, old age and survivors' benefits and the payment of adequate maternity benefit; (c) the liability resulting from the continued payment of unemployment benefit when unemployment persists at an excessive level; and (d) subsidies to the insurance of persons of small means."<sup>12</sup>

It, however, appears that under the special circumstances obtaining in our country, where the workers are poor and employers have to bear the unchecked brunt of foreign competition, the State will have to assume a large financial share of the total cost.

These are, however, only broad tendencies which do offer general guidance. The problem of the exact share of each of these three interests in the total cost-apportionment, is a very delicate one, for the individual share cannot be mathematically fixed at a generally acceptable level. It is, indeed, a highly debatable point on which it would be unwise to arrive at a precise generalisation of universal application. In the policies and practice current in or proposed for some of the

<sup>12</sup>I. L. O., *Report IV (1) to the Twenty-Sixth International Labour Conference* (Montreal, 1944), pp. 51-52.

foreign countries, divergences within extremely wide limits are discernible. Much would depend upon the wage level, state of social assistance, the stage of evolution of social security measures, the competitive strength of national industries, the *per capita* income of the country and such other important factors which are nowhere alike in all respects. However, some broad features of the policies followed in this regard can still be indicated with usefulness. According to the Beveridge Plan, the total cost of the Plan in 1945 is to be met as follows: 50% of the total cost from the State assistance; 28% from the workers; 20% from the employers; and 20% from other sources, mainly interest. In New Zealand, on the other hand, the position is quite different. Here the beneficiaries are expected to contribute 77% of the total cost, whereas the State contribution is to be only 23%. The contribution of the beneficiaries is related to their income and is based on the ability-to-pay principle as against the flat-rate principle adopted by Beveridge which is regressive in effect with the result that while it is not burdensome at lower income levels, it allows the upper levels to escape rather easily. The direct contribution by employers has been dispensed with in the New Zealand scheme but their profits are reached through a charge on incomes other than salaries and wages. In the ultimate analysis, perhaps, the two systems would not be found to differ to any material degree. As Beveridge would not take contributions according to ability,

there is need of letting the tax-gatherer collect an appreciable part of cost on the ability basis and then hand it over to the fund in the shape of State contribution, whereas if the insured's contribution to social insurance is made in a way which takes full account of ability to pay, the amount can be directly secured by the fund, in which case the State contribution is bound to decline. The financial basis of the Wagner-Murray-Dingell Bill is quite different from the Beveridge Plan or the New Zealand Plan: it lays emphasis on the contribution by the employers, though we must make it clear that the financial basis underlying this scheme is not very clear or definite. It is, however, generally agreed that the provision made by it for the contribution of the employers and the workers to the tune of 6 per cent of the pay roll and that of the State to a sum necessary to meeting the cost of public assistance, is only a temporary measure warranted, necessitated and inspired by anti-inflationary requirements of the situation. Those who feel inclined to infer from it a support to their idea that the State contribution should be kept at a nominal or low level, would be grievously wrong to attach any permanent significance to it as the present arrangement is by no chance permanent and the State is bound to be called upon to bear a larger share of the total cost in post-war years.

Which of these three models will suit us, presuming for the sake of argument that all the three parties are willing to contribute? Now, conditions in our country have certain



characteristics and peculiarities which will have to be kept in view while attempting an answer to this question. Our workers are extremely poor and their wages are so ridiculously low that it would be tyrannous to deduct from them on a compulsory basis, any large sums as social insurance contributions. Our employers will have to pay larger share than workers because they have presumably greater paying capacity, because the workers are poor and cannot pay much, and because in a large number of cases the employers' contribution is put on a higher level than the workers' contribution. A definite drift has in recent times been made in several countries from the principle of equal participation of workers and employers, or of greater contribution of the workers and less of employers. In the combined general schemes of sickness and pension insurance of Chile (1925), Greece (1932) and Peru (1936) and in the unemployment insurance schemes of Poland (1933), Norway (1938), South Africa (1937) and Canada (1940), employers pay a larger contribution than workers.<sup>13</sup> This is a pattern which we too would have to follow. As regards the contribution of State, it must under the very inevitability of the situation be the largest in this country.

The question of relative contribution-proportion is not, however, so fundamental and pressing in our country as the problem of

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<sup>13</sup>I. L. O. *Approaches, Op. Cit.*, p. 69.

the very readiness on the part of each of the three parties to contribute. The crux of the problem of social insurance in India is the repudiation by the Governments, central and provincial, of any financial liability or duty in the matter. Social insurance contribution has, indeed, been their bugbear and they have consistently opposed, tooth and nail, each and every proposal requiring them to make a contribution in this regard; and it is mainly because of their strong opposition that no progress has thus far been made in the matter of social insurance. Whenever they thought of sickness insurance, which was the only solitary branch of social insurance to have engaged their attention in the past, they could never for a moment let the question of finance be out of their vision and every time the proposal had to be dropped because they were not ready to contribute to its finances. They have all along been trying to shift the financial burden on to the employers and workers; and even as late as 1940 at the First Labour Ministers' Conference, they clearly declared that the employers and workers alone should contribute to the scheme and no call should be made on their resources. It was only on that express understanding, indeed, that the idea of framing a sickness insurance scheme received their blessing. This indifferent and repudiative attitude on the part of the State is most unhelpful to the growth of social insurance. If the proposition that no comprehensive and complete social insurance

system can be introduced in this country without the active participation of the State in financial sphere is correct, it clearly follows that it would not be possible for us to have a social insurance scheme for India, despite all possible willingness and preparedness on the part of employers and workers, unless the Government attitude changes, and changes for the better.

This applies to the Provincial Governments as much as to the Government of India. The subject of labour is on the concurrent legislative list under the New Constitution and is mainly administered by the provinces.<sup>14</sup> Without full sympathy and active assistance on their part, no measure of labour insurance can succeed. But since the inauguration of the provincial autonomy, the provincial Governments have begun displaying their independence in and out of season in a most surprising manner and they have been particularly averse to sharing any financial burden of social insurance, though this tendency on their part was in existence even before this date. When their views were invited on the proposal regarding sickness insurance originally they came forward with a number of difficulties, real and imagined, without caring two hoots for the workers' or industrial efficiency and productivity and the replies given by them in 1928-29

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<sup>14</sup>See in this connexion Sir Atul C. Chatterjee, *Federalism and Labour Legislation in India* (Montreal, 1944).

were most discouraging. The Government of India, however, again approached the provincial Governments in April, 1935, with the proposal of starting some experimental sickness insurance scheme in individual establishments to which also they reacted as they had done in 1928-29. The Government of India had to conclude in May 1937, that there a lack of real demand for any experimental scheme on the part of the Provincial Governments and in utter helplessness, it appears, they declared that "the powers of the Government of India are limited to legislation and as no provincial Government is in a position at present to take up the problem on general lines, they cannot take any further action at this stage on this question." But so conscious were they of the need of sickness insurance for Indian workers that they again placed their proposal before the First Conference of Labour Ministers of 1940 and after several difficulties the proposal was after all accepted on the clear understanding that the establishment of a sickness insurance scheme would not touch the pockets of the provincial Governments. The constitutional position being what it is, the provincial opposition has been most unfortunate, and has been an important cause of the non-appearance of social insurance in India for such a long period. Were the idea of sickness insurance early acted upon, ground would have surely been prepared for the introduction of other instalments of social insurance as well.

It must, however, be said in fairness to

provinces that their unwillingness to contribute is, at least to some extent, the result of their straitened finances; and the idea of tripartite contribution impinges upon the provincial purse materially at a time when it is in none too happy a position. They have been burdened with expanding heads of expenditure and inelastic sources of income. There is a very great need, from their standpoint, of a re-allocation of sources of income and items of expenditure between the Centre and Units; and of a regeneration of our economic life which may enable them to lop off larger shares of increasing national dividend for the financing of social insurance. But short of realization of this latter ideal, it is clear that with proper economy measures, a redistribution of the expenditure schedule, and the tapping of new sources of taxation as far as possible, something substantial could certainly be done.

The Centre has, again, not been in a mood to spare finances for a social insurance scheme. Since the provinces are not in a position to give limitless help and it has monopolised elastic sources of income to take care of inelastic heads of expenditure, it is clearly its duty to come forward and generously finance social insurance measures as far as it can. There is no denying the fact that with a proper economy drive and a reorientation in the outlook regarding national needs and requirements, the Government of India can, even in their present state of finances, make an appreciable contribution. Sufficiently old has been the demand

of Indian economists and politicians that huge and disproportionately large expenses on defence, top-heavy administration and other imposing departments and activities should be reduced and nation-building activities should be accorded a high priority in the expenditure schedule. It is time that the Government of India paid attention to it, especially when the tendency of foreign Governments to look more and more to the welfare of their people in a direct manner has become so pronounced as to be recognized as an essential item in the elementary duties of a modern State.

The Labour Department of the Government of India is without doubt its most progressive Department at the present moment. It is alive to its own duties and is sincerely mindful to the needs and welfare of the industrial workers. It has recently done more to improve the lot of these Indian workers than at any other period of history. It has got a sickness insurance scheme prepared and a preliminary investigation regarding social security scheme is afoot. But even this Department, like other Departments, is dependent in the matter of finance on the goodwill and attitude of Sir Jeremy Raisman who holds the purse string and sits firmly on the lid when the question of nation-building activities comes up. It is at best an example of lack of co-ordination and of mutual supportability of the Viceroy's Cabinet (if it is not the want of sincerity which is the villain of the piece), which is the shape that the problem assumes when an Indian Member

chooses to be genuinely progressive and do something substantial for the benefit of the country. It is perhaps this lack of co-ordination because of which the Government of India have failed to see the link between production and consumption segments of our economy and have conveniently, though a little thoughtlessly, turned down almost every proposal of nation-building variety on the flimsy ground of lack of finances when finances could be obtained in full by stepping up production and generally activising and galvanising the income-earning sectors.

There is really no doubt that the unwillingness on the part of the Finance Department of the Government of India to provide finances for social insurance has gone to strengthen the indifference of the provinces to measures of this category. Had the Centre been really sympathetic, sincere and active in the matter, it could have used its influence to restore the units to a proper sense of duty. It could have persuaded, induced and cajoled them to contribute by itself setting an example for them to follow. It is mainly on its initiative that the problem of sickness insurance has at all been considered, and it is because of its endeavour that the provincial Governments have agreed to a scheme of guarantee regarding income-expenditure-equilibrium of the sickness insurance fund to be maintained by covering any deficit gap by loans. But sordid guarantee of budgetary equilibrium of the social insurance institution cannot be of much avail. There

has to be a change in the entire outlook, a genuine willingness to help the worker and a generous State contribution just as in other countries of the world. The Government of India can, if they choose, play a big *role* in the success of this useful programme by contributing themselves and by making the provincial Governments to contribute.

The attitude of Indian employers and workers, we are happy to note, presents a refreshing contrast to the indifferent and unhelpful attitude of our Governments. So far as the workers are concerned, they have at no time directly opposed the idea of social insurance; though at times they expressed opposition, in view of the low level of their wages, to any contribution from them or at least from their very low paid brethren. But even this latter attitude has happily undergone a change and the workers are now prepared to contribute though they reasonably say that in view of their poor earnings, their contributions should be quite low, to which proposition everybody would subscribe. The employers, in their turn, have also never opposed the idea of social insurance or refused to contribute; but they have repeatedly demanded a number of safeguards. They want, for instance (i) that the State should also contribute to the scheme; (ii) that the scheme should apply to all the industries; (iii) that the Indian States should also be roped into the scheme; and (iv) that the exactions should be within the capacity of



the industry to pay.<sup>15</sup> In theory the reasonableness of none of these demands can be contested or defied. The satisfaction of none of these demands, again, lies beyond the power or authority of the Government of India except perhaps the one relating to Indian States which is a problem much easier than others. While the Central Government cannot statutorily compel the Indian States to become a part of social insurance scheme set up in India, they can certainly exercise a moral pressure. The Indian States themselves have been trying, quite contrary to the common notion in this country, to be progressive and their labour legislation compares very favourably with parallel legislation in British India.<sup>16</sup> Many of them would willingly join the all-India social insurance scheme while others can be easily persuaded to do so. The real problem is regarding the readiness of the Government, Central as well as Provincial, of the British India to contribute. It is a matter of great misfortune that despite all the readiness on the part of Indian workers and employers, the Government of the country should be so much unwilling to do their duty in the matter.

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<sup>15</sup>See, for instance, *Report of the Millowners' Association, Bombay, for the year 1943* (Bombay). 1944, p. 63 and Appendix 9 on pp. 169-177. Also Report for 1940, pp. 51 and 169.

<sup>16</sup>See in this connexion my articles on *Labour Legislation of Indian States* in the *EASTERN ECONOMIST* (New Delhi), Oct. 29 and November 12, 1943.

## CHAPTER IX

### THE ACTUARIAL AND ADMINISTRATIVE STRUCTURE

An important problem connected with the introduction of social insurance in a country, from the organizational and financial points of view, is the actuarial basis of such a scheme, a problem on which there can be sufficient scope for opinion-differences. In this connexion there are two competing schools, the one claiming that the actuarial technique used in life insurance should be adopted in social insurance as well, while the other maintaining that there is no need of putting social insurance on any complex actuarial basis and the system can be satisfactorily worked up by year-to-year balancing of income and expenditure. The first system is known as capitalization system or actuarial reserve system or accumulation system ; and the second as distribution of costs system or assessment system or budgetary system.

The capitalization system consists in anticipating beforehand the cost of benefits which a man on an average is likely to claim during the entire period of his membership of the insurance fund. This amount is then spread over either equally or in some other equitable proportion over the entire period of his membership. This method is generally applied to cases where the risk and therefore

the cost of benefits which would have to be granted, go on increasing year after year; so that whatever the mode of spread, the premiums charged in earlier years are more than the cost of insurance whereas in later years they are less than the cost. The excess of the premiums over the cost of insurance in the earlier years accumulates in a fund which is drawn upon at later stages when the cost begins to exceed the premiums charged at that time. The fund is thus a matter of cardinal importance. Its adequacy is the best and most satisfactory test of the financial soundness of the institution. It is on the adequacy of this fund that the success of the entire scheme depends. Periodically, therefore, a valuation has to be made with a view to estimate the present value of the future liability in respect of all the insured and the present value of the premium which are likely to be received from them in future. The excess of the first over the second is called *net liability* which must be present in the fund if the system has operated in a sound manner. If, however, there is any deficit, *i.e.*, the fund falls short of net liability, it means that the business is unsuccessful from a financial angle. The fund is the central point of this scheme and is called actuarial fund and the system the actuarial fund system.

The second method avoids all this elaborate actuarial calculations on the basis of past experience with a view to fix premium rates and to periodically test the adequacy of the actuarial fund which is unnecessary in this system.

In this case the premiums may be fixed in the first instance on intelligent guess work; and they may, if necessary, be subsequently revised in the light of experience so that the correct rates would soon be found out by a process of trial and error. The attention is focussed on total income and total expenditure and one year is all the period in which an equilibrium is sought to be established. In other words, the income received in a particular year is spent away in that very year. Hardly anything remains to be earmarked as a fund which is really unnecessary and is not generally maintained. But prudential considerations usually call for the creation of a contingencies fund which is altogether unlike the actuarial fund in nature and purpose. It is in this modified form that this system is generally adopted. Its great advantages are its simplicity, economical working and a system of automatic yearly checking on premium rates.

If both the methods were to serve the purpose equally well, there is no doubt that people will like to use the second method which is the simpler one. But there is no such alternativity all along the line. There are some risks which can best be covered on the assessment basis while there are other risks which can be most suitably covered according to the capitalisation method. The examples of the risks to which the budgetary method is most suitable are sickness, invalidity and unemployment. In their case the risks do not necessarily increase with the passage of time; and it is to such risks that

the budgetary system is generally applied. It is not necessary in such cases to build up an actuarial fund for the premiums paid in the earlier years need not be accumulated with a view to discharge future liabilities which do not necessarily increase with the passage of time. But there are certain other risks whose incidence goes on increasing with increasing age or in which case the benefit payment begins after the premium payment has ceased: it is to such risks that the accumulation system is most suited. Taking an individual into account, if he is made to pay an annual premium equal to yearly cost of benefits, then in the former case the contribution-curve, on the pattern of natural premium curve of life insurance, will go on ascending from year to year; and the insured would be burdened with increasing contributions which he might not be able or dislike to pay. The contributions are required to be levelled up; and the application of the capitalization system is the application of the level premium plan principle of life insurance to such cases. In the latter case, *i.e.* when benefits have to be paid after contributions have ceased to flow in, as happens in old age insurance; social insurance cannot be worked up without previously accumulated fund.

It would thus appear that in the case of the risks mentioned in the above paragraph, capitalization system is indispensable. But this is true only if we take into account each individual risk as a se-

parate unit; in other words, if we apply the individual capitalisation system. But if we make use of the collective capitalisation system, and focus attention on the entire group of insured persons, we would have to create a collective actuarial fund. We will, then, find that, assuming the character of the group to remain constant, the annual contributions will be, more or less, equal to annual disbursements. But in that case the collective capitalisation system takes the same shape as the assessment system, and the creation of an actuarial fund becomes really redundant. We can very safely presume the character of the group to remain constant because changes in this direction take place extremely gradually and become discernible only after a long time. They are any way regularly taken into account under budgetary system by reason of the fact that each year's experience serves as a guide for the next year's operations; and a system of periodical examination, which can be and should be generally introduced, would serve as an added guarantee in this direction.

The expert opinion has, therefore, come to veer round the theory that the life-insurance apparatus of actuarial calculations is unnecessary to social insurance. Particularly when we look at the problem of social insurance in its entirety and in its unified shape, the case for the capitalisation method loses all force. It would, indeed, be without sense to carry a cart-load of actuarial computations and

complexities with no corresponding advantage. Particularly in a country like India where there is no previous risk experience to draw upon, it would be best to make an intelligent anticipation of the magnitude and frequency of risks to start with, to work up the system according to assessment principle and to revise it in the light of later experiences. This is, moreover, in accord with international theory and practice. In the New Zealand Plan of Social Security as well as in the Beveridge Plan, the capitalisation method of finance has been discarded. "The Beveridge Report sets out the expected social security receipts and disbursements for 1945 and 1965. For both years, the receipts and disbursements are in balance. But it is significant to note that in both these years the expected receipts from interest on investments remain at the same negligible figure of £ 15 million, so that the Beveridge Plan anticipates no accumulation of social security funds. The rising over-all cost of the old age benefits of the Beveridge plan will be financed by increasing contributions from the National Exchequer. Whether or not the National Exchequer will raise its social security contribution by taxation or loans is not discussed in the Report. The beneficiaries' contributions are specified in the New Zealand Social Security Act. Appropriations by Parliament are provided to finance the deficiency of social security benefits under these contributions. Here again the Parliamentary appropriations may be obtained either through

taxation or through borrowing.”<sup>1</sup>

There is then no doubt that in our country there is no choice but to follow the best method, *viz.*, the budgetary method. In India, social insurance and commercial insurance are not generally kept apart and the actuaries conversant with the latter are supposed to be competent to handle the problems relating to the former. It is not, as such, strange if such actuaries set about to handle social insurance problems in a commercial insurance manner and make a mess of the whole thing. In many cases, even a knowledge of the actuarial technique that may be employed in social insurance sphere is lacking and over-confident as the life insurance actuaries are of their own expert knowledge and unchallengeable judgment, they pour scorn and ridicule on even the wisest suggestion made in this regard by a non-actuary. In India, therefore, a very important problem is to see that misguided ignorance does not run over the true wisdom. There is, indeed, a very great necessity that in the beginning when social insurance scheme is drafted, its actuarial structure should be left for determination to an I. L. O. expert as has been the practice of some foreign countries. Incidentally, it would be useful to keep in mind that England was forced to adopt capitalisation system in several directions because of historical reasons; and an English actuary might be

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<sup>1</sup>Eckler, *Modern Social Security and Unemployment* in INTERNATIONAL LABOUR REVIEW, November, 1943, p. 588.



tempted to apply the same system, though wrongly, to this country. At a later stage of growth, if not at the very start, the social insurance institution would do well to have its own specialized actuaries.

The problem of administrative structure of the social insurance institution to be set up in India is more complex and controversial than the actuarial problem and calls for an unprejudiced mind, a knowledge of international practice, and close and first-hand information of labour and economic conditions obtaining in this country.

The administrative structure of social insurance must, so far as we can imagine, contain certain characteristics. Firstly, the administration should be economical and cheap. A great advantage claimed for a unified system of social insurance in every country of the world is its low operation cost; and every care should be taken in a country where such a system is sought to be implemented afresh, particularly if it is as poor as ours, to ensure that the management cost is kept at the lowest possible level. Secondly, the chances of loopholes, malingering and collusion between the beneficiaries and the officers of the administration should be reduced to the very minimum through all the devices impinging on qualification period, waiting period, quantum and duration of benefit, as well as administrative supervision, penalties and fines. Thirdly, all the three parties involved, *viz.*, the insured, the State and the employers, should have

their voice in the administration of the fund, at appropriate stages and to adequate degree without prejudicing in any way the efficient, honest and economical operation. Since all these three parties would presumably be contributing, it goes without saying that all of them would expect, and quite reasonably we think, a hand in the management. Fourthly, there should neither be complete concentration of administrative powers in the hands of a central body so as to reduce the regional offices merely to the position of sub-offices of the central institution, nor should the regional and local organizations be handed over unlimited power leading to an utter impairment of the Centre and chaotic differences in efficiency, contributions and benefits and other conditions.

In India we will be starting on a clean slate and we would thus be fortunately situated so as to be able to take all the necessary measures which can bring about economical management, untied with any vested interests, obstructive traditions or unbecoming institutions. We would not do well to set up blind-folded a very costly administration for social insurance in tune with the general administrative machinery that is the lot of this country. In appropriate places there must of course be highly paid officers who are really competent for the jobs. But there should be an eye on economy in general. Non-Indianization of services, elaborate staff and unnecessary show, should be eliminated. In particular, there should not be set up offices with large capacity in small

places where a part of the office capacity may have to remain idle. In other words, every unit that is opened must be economical and not wasteful. Much would, indeed, depend upon the density of the population that is sought to be covered by insurance. There would, for insurance, be no warrant for the establishment of an office of social insurance with two or three clerks and other officials in a town where there is only a small factory employing two or three dozen workers. Such cases would perhaps be quite large in a country so big and so sparsely industrialised as India; and this problem would face the administration on a larger scale than seems *prima facie* to be the case. The possible solutions are only two : (i) to leave such areas for the time being from the benefits of social insurance altogether ; and (ii) to make the employers and workers take united action and set up their own schemes promising as nearly as possible the same advantages as the national system of social insurance, to be later merged in the bigger national scheme at the right opportunity. This latter device is evidently the right course to adopt and has the sanction of international practice behind it. Efforts should also be made to minimise the cost of collections, which can be done by adopting the principle of collection through employers by the method of affixing stamps on cards, which was originally adopted by Germany and is now in universal use.

In our country, there are unfortunately no social insurance traditions and we are not

quite sure—we are really very doubtful—that, if a social insurance scheme is set up here, our workers would immediately begin regarding it as something of their own and be on the constant vigil that while they do not themselves malingering and collude, their companions also refrain from these practices. Indeed, they would have a proneness to think that the institution of this nature is meant to look after their needs in an unlimited manner and that they might, therefore, mulct and fleece it as much as possible by malingering at their will. The tendency is, however, universal and Indian workers cannot be singled out as offenders in this direction. It is, however, likely that the keeping of cash benefits lower than the wage would not act as a check against malingering in this country to the same extent as it does in foreign countries because of the self-satisfied and rest-loving nature of Indian workers. The system of checks and balances and of supervision that would have to be imposed in this country would have to be very efficient to root out such an evil at the very start. If it is not allowed to take roots and those who are found guilty are given exemplary punishment, there is a hope that the trouble would be nipped in the bud right from the start.

But at the same time, the watch-dogs should not become the blood-hounds. The inspectors and informers must not be allowed to have an upper hand and lord over the beneficiaries, doctors and staff of the social insurance office. They should certainly not have

so much power that the benefits are withheld or given only at their bidding. For that would open the door for bribery and corruption. There is a very great need in India, where bribery is so common and old as to become a matter of normal course of business, a *dasturi* which is paid and given without any qualms of conscience, to ensure that the administrative staff of the social insurance institution is kept free from this disease; and the workers are handled with all the genuine sympathy and affection which are the best human heritage and which love of man for man should naturally evoke. Propaganda, education and other forms of dissemination of knowledge and of raising the standard of moral values in the human outlook would be found helpful in creating in the hearts of the staff and officials an urge to be good and do good. But modern men are too sophisticated to remain in order merely as a result of their inner promptings. There will have to be established a careful and thorough system of inspection and supervision in which everybody's authority is just, balanced and appropriate and is exercised neither ruthlessly nor with laxity; and this will have to follow the typology of the administrative machinery that is erected and the requirements of the existing situation. Various types of internal checks and supervision have been imposed in all the social insurance schemes in the world and while without this sort of policing and detecting it would simply not be possible to run the administrative machinery smoothly, efficiently and economic-

ally, the checks and balances themselves should not get out of their proper perspective.

The problem of collusion between the staff and the insured is, however, more general and would have to be adequately tackled. A system of independent and corroborative checking and of providing a greater number of links between the worker and the institution, within reasonable limits, of course so that efficiency does not suffer, might prove useful. Exemplary punishment must be given to the offenders and should cover not only workers but also officers and members of the staff. The practice followed in western countries would certainly be a guide to us, but they might not help us all along the line and feverish and original thinking would have to be done with a view to evolve the checks and balances to suit the special characteristics of labour and economy of this country.

The tried devices of fixing the qualifying period, the waiting period and the maximum duration and amount of benefit would also have to be adopted by us as they must be by any system of social insurance. The qualifying period is a period that is fixed with a view to ensure that before the worker becomes entitled to draw a cash benefit, he has been a member of the fund for sometime past and has paid his contributions for a sufficiently long period, so that what he might receive as benefits might not be altogether out of balance with the contributions he might have already paid. If such a consideration is not kept in view, even the floating mass of labour that goes

by the name of *badli*, substitute and temporary, would be able to draw upon the fund without having contributed sufficiently to its resources, and in course of time leave the fund high and dry. This would obviously increase the disbursements of the fund without increasing its income proportionately and this extra burden would have to be shifted on to the shoulders of the permanent members who would have to pay not only what is sufficient to meet the cost of benefits given to them but also the cost of benefits given to the migratory labour. What would be, indeed, easier for the masses of sick and ailing persons than to get employment in a factory nominally and soon become costly parasites on the fund. A social insurance fund must, at least in the initial stages, try to take into account only the permanent mass of labour; and the co-extensiveness of a social insurance scheme with permanent workers at the starting point is now an agreed proposition. There has to be some sort of correspondence between the cost of benefits to which an insured becomes entitled and the amount he has contributed to the resources of the fund in the past; and it is this necessity of an equilibrium, howsoever rough and ready it might be, which would indicate what should be the duration of the qualifying period.

Qualifying period must, however, be distinguished from the *waiting period*. As soon as a worker falls ill or is thrown out of employment or falls a victim to some other contingency, he does not become entitled to a cash

benefit all at once. Usually he has to wait for a certain number of days before he can secure this benefit. This period during which the worker does not get any cash benefit is known as the waiting period. The first reason of providing for such a waiting period is to save the fund from a mass of small claims which will collectively impose a heavy burden on its resources and will push up considerably the contribution rates. Moreover the cost of administering these small claims and examining them with minute care will be out of all proportions to the magnitude of the benefits administered. The absence of waiting period will also perhaps increase malingering to a great extent and will eat into the vitals of this scheme. Because of all such reasons, a period of waiting must be provided for and is found in every system of social insurance in the world. It is absolutely essential that the waiting period that is provided for has some relation to the capacity of the worker to maintain himself without having to depend on loans. There can be no hard and fast rule for the determination of the duration of such a waiting period. International practice, individual judgement and like factors will have to be relied upon and there is no doubt that an element of arbitrariness will enter into the calculations.

Cash benefits cannot of course be paid permanently. There must be a time limit for the payment of sickness benefit and unemployment benefits etc., a consideration which cannot in the very nature of things apply to



permanent disability and old age. The limited benefit duration is necessary to check malingering, to strictify medical and other examination, to cut down the cost in respect of one contingency and to accord with the transference of a risk from one category to another when its nature undergoes a well-warranted change. A system of migration of risks from one category to another is particularly necessary where social insurance has been introduced in instalments or where separate risks are taken care of by separate plans.

Less technical but by no chance less important a problem is that of the degree of control that each of the three interests, *viz.*, the employers, the workers and the State, should have in the management of the social insurance institution and finance. The obvious answer is that all the three parties must be given a voice, and democratic principle should be followed within the widest possible limits. But to this general proposition, several qualifications are needed in a country like ours. In our country workers are still disorganised in spite of all that the trade unionism has achieved thus far. In many cases trade unions are loose organisations, in others they are vitiated by the control acquired over them by employers' agents or spies, and in still others they are merely employer's stooges. At several places, there are no trade unions worth the name. If, therefore, the present stage of trade unionisation is taken to be a given factor, it is difficult to see how can the workers be made to co-

operate truly and sufficiently in the management and control of the social insurance institution. It, indeed, appears to be rather a tall claim made by some workers' organisations of our country that the administration of social insurance should be entirely entrusted to the workers' organisations as this scheme is meant for their benefit. Now, if it is true that there are genuine and representative trade unions in this no country all along the line, evidently the control cannot be given to a non-existing entity. It is, again, not correct to argue that because the scheme is meant for the benefit of workers, they should be given its complete control; for the scheme is also meant at least indirectly to benefit employers and the nation at large; and besides its finances are provided by the State and employers and undoubtedly the scheme can work better by mutual co-operation. Such an attitude of workers smacks of a certain type of *laissez faire* in labour matters; but it is funny for them to demand State interventionism for their own benefit against capitalists and also its non-interventionism when the occasion for their getting an upper hand arises. They cannot surely eat their cake and have it too! Even if trade unions are organised in this country to the proper level of efficiency with the help of the State, of which there are now increasing signs, this demand might resolve itself into a demand for imposing the approved society model on our economy—a system which suffers from grave defect, shortcomings and blemishes which have been brought to light and expert

discussion time and again and about which Sir William Beveridge and other authorities have recently written in disparaging terms. We surely do not want to import them all into our country.

The right solution is to let the labour associate itself in the administration of the fund with the other two parties ; and for the purpose it should be organised in a manner that it can send really representative and competent numbers to the social insurance institution. It appears that the State will have to step in and help the labour to organise itself to the stage to which it can have itself truly represented without any influence or pressure of employers. It is, of course, not necessary for this purpose that the State should go out of its way and become a promoter of trade unions. Things can certainly be managed without going to extremes.

Besides labour, capital and State should have an adequate voice in the management of the fund. The State must come in to hold the scales even between the two parties and to ensure that the institution is working in a manner that is really conducive to the best interests of the workers, employers and the country as a whole. In many cases the policy of this institution will bear strongly on the general labour policy of the Government ; and the connexion between the two will have to be kept particularly close and intimate as well as agreeable. Particularly if the State is also a contributing party, the case for State participation in management becomes all the more

strong. It has, however, been claimed on the part of employers that in case the Government do not contribute, they should not interfere in the administration of the fund. This position is rather weak for even if the State is a non-contributor, it is the only agency available which can supervise the whole show without favour or fear, make it work in the real interests of the country, and hold the scales even between workers and employers. It is the only party to ensure that the employers do not run over workers and *vice versa*. The matter is really of such vital importance and unchallengeable agreement that if we have a really representative Government of the people, we would not mind if the Government alone administer this institution. There is to our mind no point in fleecing the Government of their power of interference in such matters, whether they contribute or not.

So far as the employers are concerned, their right to participate in such management has never been questioned though it has been stated, and quite rightly, that they should not be given an upper hand in the matter lest they torpedo the entire scheme in their own self-interest narrowly conceived.

Finally, there is the vital problem of the nature, constitution and composition of the administrative machinery that is set up in this country. We have already made out a case for a central and unified organisation for social insurance administration. It must, however, be as clear as pike-staff that complete and

rigid concentration of the sort that was the order in the political administration of this country some years back, when not even the salary of a peon could be increased without the permission of the Central Government, is as defective and inefficient as complete devolution of power of any huge order. The first is killing to initiative and individual judgment of the regional bodies and generally averse to any regional variations in geographical, psychological, social, industrial and other matters. Besides it is an extremely routine and red-tape arrangement and would involve inordinate delay and inefficiency in various directions. Complete devolution, on the other hand, would translate on a regional basis the chaos which now exists in some of the countries in respect of risk-wise insurance schemes or which might be imposed if the case for insurance by industry is accepted. For in that case there will arise numerous variations in policy of a permanent and temporary character, patches of practical differences here and there, variations in the methods of administration, frictions in respect of migrations and geographical demarcation, and variations in rates of contribution and benefits leading to unsteady and uneven flow of labour and capital. Neither of these two extremes would suit us. We are a big country and to ensure an identical, all-India policy and to avoid the sort of lack of uniformity which is found about maternity benefit legislation today, there must be a central and autonomous statutory body which should

lay down the fundamentals of a common policy, study and advise the regional bodies on the various problems connected with their duties, supervise their operations in a general way, publish reports and disseminate information, have the central command of finances, and settle inter-regional disputes and other cases of social insurance law. Except the powers mostly of regional administration, local policies and general details which are devolved upon regional bodies on mature consideration and in the interests of the smooth functioning of the administration, the rest of the powers, particularly of policy-making nature, should be concentrated in its hands. It should work in close collaboration with the administration of social assistance and other cognate services as the inter-connexion between them is very close. Such a body would ensure that the scheme would operate uniformly throughout the country as regards contributions, benefits and other essential matters.

Under this central body should be the various regional institutions, entrusted with the administrative, executive and local policy-laying functions, which should no doubt work under the broad directive of the central organization while having adequate independence in the delegated spheres. They should have under them a whole series of local organisations which should be the smallest executive bodies and through whom the regional organizations will do their main work. In a big country like ours we must have all the advantages of cen-

tralisation and decentralisation with defects of neither, in so far as it is possible.

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## CHAPTER X

### ECONOMIC PLANNING AND SOCIAL INSURANCE IN INDIA

In recent years a good deal of attention has been devoted to the principles and practice of economic planning and to their application to the world economy as well as to the individual economies of the different countries of the world. In our own country, planning has recently overgrown the stage of purely academic and theoretical discussions; and has become a live issue of current politics and practical economic programme since the publication of the *Birla-Tata Plan for Economic Development of India* towards the beginning of the present year. It is therefore, important to throw light on the close relationship that subsists between social insurance and economic planning.

The connexion between the two can be correctly explained by stating that economic planning is a wider term and social insurance a narrower concept, which forms an integral feature of the former. Social insurance is concerned with the income maintenance which is meant to keep the human factor in industry, agriculture and other productive spheres at an efficient level and to bulwark its standard of

living. In both these sectors of economic planning *viz.*, the sector of productive efficiency of labour and the segment of standard of living, social insurance has a remarkable contribution to make. It does not of course necessarily follow that there can be no economic plan without a social insurance scheme; but seeing that social insurance has been recognised all the world over, in capitalistic, fascist as well as communist countries, as the best device of income maintenance yet hit upon by human ingenuity, it is difficult to conceive of a satisfactory plan which does not have a properly designed and framed social insurance scheme for one of its limbs. Social insurance is only a particular issue, though a very important one, of the wider problem of economic planning, which has been designed to take care of social risks and contingencies.

In the special conditions obtaining in our country at the present time, the connexion between the two is perhaps much closer, for the two problems are inextricably tied down to each other by the golden link of finance. In order to be able to finance a social insurance scheme in an adequate measure, the State must be in such an affluent condition as to be able to give large sums in the shape of its contribution to the social insurance fund. We have already seen that the State has a definite duty to perform regarding the financing of social insurance, that the financial participation of the State in this regard is a universal feature, and that without such participation the in-



roduction of social insurance in a country like ours will remain a problem for a considerable time to come. But from where is the State to find all this money? Our State has all the time been deploring the lack of finances and has been consistently starving our nation-building departments. One way of increasing the income of the State so as to enable it to liberally finance a social insurance scheme is an all-sided and thorough economic development of the country, which, in other words, implies the operation and execution of a comprehensive economic plan. An economic plan would also lead to adequate protection to industries, their considerable expansion, and greater control over cost, and would thus contribute to the enlargement of their capacity to contribute to the social insurance resources. The same applies, in a substantial degree, to the workers whose incomes under an economic plan will have to be sufficiently pushed up beyond the minimum standard of living target if they are required to contribute to the financing of such a scheme. It would thus appear that economic planning is extremely helpful, from a practical angle, to the institution of social insurance in this country. So important and fundamental is this fact in the present economic and political set-up that in our opinion it would be a brave thinker, indeed, who conceives of a social insurance scheme without the framework of an economic plan.

Evidently, then, while no economic plan for our country would be complete without

a properly drawn-up social insurance scheme as its integral feature, no insurance scheme, in its turn, would be possible, in its all-sided and adequate shape, without the introduction and continued execution of an economic plan. The connexion between the two is much closer, indeed, than what is generally realized.

Consciously or unconsciously, an approach to this viewpoint seems to have been preserved in the Government of India's actions in these directions, in so far as it was possible with all the planless planning that has been hitherto done by the New Delhi and Simla officials. They have on the one hand been taking a series of steps to draw up specific and separate plans for the different sectors of our economy; and at the same time they have appointed the Labour Investigation Committee to do the spade work with regard to the framing of a complete social security scheme for India. But while they have thus been moving in both these matters simultaneously, there appears to have been a lack of perception of the close connexion between the two on their part, which is only one example of the general want of unified and consolidated vision of all the segmentary planning schemes that are being hatched under their auspices. This has imparted an element of Utopianism, of visionary idealization, to their schemes which could well be avoided.<sup>1</sup>

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<sup>1</sup>See in this connexion my books, *A Critique of the Industrialists' Plan* (Benares, 1944), and *Pessimism in Planning* (Allahabad, 1944).

It would be highly pertinent to examine the position of the social insurance scheme for India *vis-a-vis* the economic plan for this country that has been prepared by the Eight Industrialists. Persons occupying different offices and statuses and having varying political leanings and economic affiliations, have repeatedly criticised the Industrialists' Plan on the ground that it does not make any provision for social insurance, which they regard as its very great drawback. If their line of criticism is correct, this indeed is a great defect and omission. But it remains to be examined whether social insurance is incompatible with this economic plan for our country, or not.

We must here repeat that the essential function of social insurance is to redistribute national income in a manner more favourable to the poor. The tripartite contribution, the confinement of benefits usually to certain poorer sections of society only, and, finally, the element of compulsion with which social insurance has now come to be inextricably linked, all suggest that it is, in final analysis, a mode of making the richer sections of society to pay for the welfare of the poorer sections. The contribution of the poor is required not so much to find the necessary finance as to make them feel a sense of self-interest in its working and a sense of self-respect in securing its benefits. Sir William Beveridge has repeatedly emphasised this fact in his *Report on Social Insurance and Allied Services* ; and it requires wide recognition in this country as well. Social insurance is nothing

more than a method by which a part of the income of the rich is driven into a pool which is used to maintain the income of the poor during period of adversity. It is, in other words, a part of the distribution pattern adopted by a country.

If the above reasoning is correct, it would appear that the Bombay Plan does not deal with the problem of social insurance for a very good reason. The Plan deals only with consumption, production and finance ; and that too in a broad outline. It is not, as Mr. G. D. Birla frankly declared in his Federation speech, a complete blue-print. Its authors abundantly made it clear in the text of the Plan itself and later in their individual pronouncements that the problem of distribution and State control would form the subjects of the second instalment of the Plan, which is yet to be published. Consequently, it would have been illogical to ear-mark the discussion of a complete whole for future as well as discuss a part thereof at the same time. The discussion of the problem of social insurance and the non-discussion of the question of distribution, would have been contradiction in terms. Evidently, then, to criticise the Plan on the ground of its neglect of social insurance problem is to take too much for granted and is a little thoughtless. Very wisely, we feel, the judgment on the distributive aspects of the Plan has been reserved in responsible quarters ; and this is a correct lead to all of us. The occasional repetition of the criticism which we are consi-

dering here is as such unfair to the Plan and lacks in discretion as well as patience.

Apart from it, though we have absolutely no direct or first-hand knowledge of the lines along which the minds of the authors of the Plan are working in the matter of distribution, we think that some rough picture of the distribution pattern as would be furnished in the second instalment can be evolved even at this stage. We are, as a matter of fact, tempted to hazard the anticipation which follows. The authors have already given in concrete and statistical terms a minimum standard of living the cost of which they have valued at Rs. 74 per annum per head. This suggests that they would ensure this sum, *i.e.*, Rs. 74, as the minimum annual income to every person (slightly increased perhaps by the social insurance contribution he might have to make as discussed below or to keep a slight safety margin); and would provide it through the device of minimum wage and earning legislation or some other like method. Let us keep this minimum income liberally at Rs. 80 per year. But the aggregate national dividend would be so large as to ensure an average *per capita* income of Rs. 130 p. a. This Rs. 130 would be, in all probability, the *average* income. This suggests that the sum of Rs. 130 minus Rs. 80, *i.e.*, Rs. 50 per annum, would be the *per capita* floating mass which would be capable of being snatched away by those who press individual enterprise in the service of society and which would keep private initiative and incentive alive and kindled.

It is out of this floating mass of national income that the State contribution to the insurance fund would be made, with a view to furnish income security to the poor. We are here not concerned with the problem if this position would be a happy compromise between socialistic aspirations and capitalistic individualism; but we are merely considering the probability of a social insurance system operating under the Bombay Plan. The beneficiaries would pay their contribution out of their assured income of Rs. 80 p. a. The employers would pay their share as any other cost item, which has already been taken into account, presumably, in the Plan. The State would contribute out of the taxes it would draw from this floating mass. There would thus be adequate availability of means which can finance a social insurance scheme.

There is one other consideration as well. Rupees 80 per head is to be the minimum income. But if a man is thrown out of employment how can that be made his minimum income unless he gets cash benefit under an unemployment insurance scheme? Similarly, if he falls sick, how can he continue to earn Rs. 80 p. a. unless he obtains adequate benefits in cash and kind under a sickness insurance scheme? The fixation and assurance of a minimum income implies a continuity of that income; and logically calls for a social insurance system which is the proper device for furnishing security and maintenance of income. The Bombay Plan, therefore, implies the establishment

of social insurance scheme to guarantee that the individual income would not be allowed to register a drop below the fixed minimum level.

On the basis of the available details and reasonable guess work, we can, as such, say that a social insurance system is not incompatible with the Industrialists' Plan. On the contrary, it is absolutely essential for the maintenance of the minimum per capita income which can be assured only if a social insurance scheme is made to operate simultaneously within the integument of capitalistic order. This necessity is further fortified by the availability of the means under the Plan, which would make the social insurance scheme financially possible. To us, therefore, the establishment of such a system under the Plan and its discussion in the second instalment is a foregone conclusion.<sup>2</sup>

While this conclusion is a matter of satisfaction to us, we would like to draw the attention of the Government of India, who are really the makers of our destiny, to perceive the close link between economic planning and social insurance that seems to be eluding their attention. While it is gratifying to note that they have been taking measures for the development and preparation of schemes in the spheres of economic planning as well as social insurance, they must at the time of taking action

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<sup>2</sup> Vide my article *Social Insurance under the Bombay Plan* published in the *EASTERN ECONOMIST* (New Delhi), August 14, 1944.

on these schemes be carefully conscious of the fact that just as a correctly drawn-up plan becomes or must become self-sufficing at a very near date, similarly social insurance, while appearing to be a greatly costly project in the pre-establishment days, becomes easy to finance when it is worked up in conjunction with an economic plan of which it is an integral feature on the disbursement side.

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## CHAPTER XI

### OBJECTIONS AND FEARS EXAMINED

While the advantages and necessity of social insurance are very widely and generally recognized in this country, there are certain sections of the people who oppose the idea of its introduction more from sideways than frontally. They give vent to their fears and objections in an indirect, incidental or covered manner, for the idea of social insurance is so admittedly useful and undefeatable that no convincing and tenable arguments can perhaps be adduced against it.<sup>1</sup> We will briefly

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<sup>1</sup>Of. Lloyd George's observation in the House of Commons on May 4, 1911, while introducing National Insurance Bill: This question "has never been the object of controversy between the parties in the State. I believe there is a general agreement as to the evil which has to be remedied. There is a general agreement as to its urgency and I think I can go beyond that and say there is a general



examine the more important misapprehensions of the objectors in the following paragraphs.

There are some antagonists of social insurance who object to its very usefulness and assert that it is altogether inconsistent with initiative, adventure and personal responsibility. Now, this view evidently presumes that the beneficiary would be allowed to draw cash benefits at will and without any checks and balances, supervision or examination regarding the real need and necessity of the claimant, and that malingering would not only be easy but also a useful and normal feature, which is entirely baseless. It is true that malingering cannot be completely rooted out from any system of social insurance, but it can certainly be so drafted and operated as to reduce the tendency to malingering to the very minimum, to bring about its exposure as quickly and frequently as possible, and to punish it in an exemplary manner. The plan would not, as Sir William Beveridge rightly observed, give "to everybody something for nothing and without trouble, or something that will free the recipient for ever thereafter from personal responsibilities. The plan is one to secure income for subsistence on condition of service and contribution and in order to make and keep men fit for service. It cannot be got without thought and effort."<sup>2</sup> Indeed, properly

agreement as to main proposals upon which the remedy ought to be based".—Lloyd George, *The People's Insurance* (London, 1912), p. 3.

<sup>2</sup>Sir William Beveridge, *Special Insurance and Allied Services* (London, 1942), para 445.

designed, controlled and financed, it need have no depressing effect on incentive.<sup>3</sup> It is obviously illogical and absurd to suppose off-hand that a scheme of social insurance that is framed for this country would not be a satisfactory one and would contain many shortcomings and loopholes. Perhaps more illogical and absurd would be the idea that no social insurance system in the world is capable of being so carefully framed and operated as to avoid the damping of beneficiaries' initiative.

Persons with excessive military fervour, who are altogether averse to the type of world that is going to emerge after the cessation of hostilities, regard it as directly inimical to the best war efforts, to direct thought to such things as social insurance, which in their opinion must wait for the time being. Let us first win the war with a single-minded devotion, they argue, and when we have won the war, we should set about to win the peace as well. This sort of psychology which had captured the imagination of peace-planners at a time when the Allies were suffering reverses in the various theatres of war and which has since been laid low, has been unfortunately imported into social insurance parlance as well where it is no more relevant than in the sphere of economic planning. This viewpoint does not, any way, alter three facts: that the purpose of victory is to live into a better world than the old world; that each individual

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<sup>3</sup> *Ibid.*, para 449.

citizen is more likely to concentrate upon his war effort if he feels that his Government will be ready in time with plan for that better world; that, if these plans are to be ready in time, they must be made now.<sup>4</sup> Particularly at this stage of the war, when the end of war is quite in sight, there is need of quick and hurried preparation of a social insurance scheme, not of wasting time and words over the advisability of doing so. That advisability must be taken to be axiomatic.

It is, of course, now an out-of-date argument that social insurance would result in employers' bankruptcy and is a "class legislation" and "veiled robbery", which has been the terror of some old-fashioned employers.<sup>5</sup> If the employer's contribution is limited to the capacity of the industry to pay, there need be no fear of 'bankruptcy' on their part. And when it is understood that in many cases employers have willingly and voluntarily instituted such a system for the benefit of their workers, that even where it has been compulsorily enforced it has not evoked any protest from the employers, and that they have actually benefited by an increase in the efficiency of employees, the above-mentioned old-fashioned fear appears to be rather imaginary and exaggerated.

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<sup>4</sup>See in this connection my book *Pessimism in Planning* (Allahabad, 1944) where this problem has been discussed threadbare in relation to theory of planning and special conditions obtaining in India.

<sup>5</sup>See J. L. Cohen, *Insurance Against Unemployment* (London, 1921), p. 8.

In many cases, the importance and necessity of social insurance are conceded and admitted but it is stated that the present time is not suited for its introduction for several reasons that are given. Such an objection has mainly come from the side of employers. Various employers' organisations have asserted time and again that we must not hastily implement social insurance at the present moment when the war is on, but should wait till normal conditions return : when the malleable world conditions have solidified to a pattern that would endure, we would be able to plan in regard to social insurance with certainty and surety. Such an argument is not peculiar to India but is universal and was put forward in Britain also only a couple of years back. It was said there that before drawing up a full-fledged and costly scheme of social insurance, let us wait till the economy settles in a normal pose and then see if we can afford such a scheme in the post-war period. Now this argument does not happily deny the necessity, desirability and importance of social insurance and would admit that it is nothing but a method of redistributing income "so as to put the first and most urgent needs first, so as to make the best possible use of whatever resources are available." To this no objection is perhaps envisaged. It should, however, be realized that our post-war future is not going to be altogether different from the present as it would in all probability emerge out of the present. At least we can certainly introduce some instalments of social insurance

and set its ball rolling now when the war is on, in case we believe—as we undoubtedly do—that they can be worked up successfully in the post-war period. Later on, after the war, we can spread our wings and give reins to imagination and efforts in consonance with the institutional setting then in existence. Step-by-step progress cannot certainly be by-passed or negatived simply because we do not have a 100 per cent definite picture of the future, for that can perhaps never be had.

Then there is the *prima facie* argument that in post-war years, Indian industries would have to face extremely serious competition from United Kingdom, U. S. A. and other countries, of which there have been clear signs for some time past.<sup>6</sup> If India wants to stand against this competition, which for all we know might be of the nature of the worst type of dumping and would literally be cut-throat, she must reduce the cost of production of her wares. Now social insurance, requiring as it does a contribution from the employers; adds to this cost; and consequently the present is not the time to introduce it. The first part of this argument is entirely correct; but the conclusion that follows is untenable. The cost of social insurance to employers would be a minor fraction of total cost and merely by its non-

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<sup>6</sup>See in this connexion, my article *Planning and Postwar Imperialism*, TWENTIETH CENTURY (Allahabad), June, 1944; and 'Planning and Postwar Trade Prospects,' INVESTMENT AND FINANCE (Delhi), 1944 Annual. Also see my book, *Pessimism in Planning* (Allahabad, 1944).

imposition, the competitive strength of Indian industries cannot be substantially increased. Besides, there are some industries at least which have been receiving protection for a long time and which have become so strong as to be able to face foreign competition quite well in the post-war years, of which iron and steel industry and cotton textile mill industry are typical examples. Then again, social insurance can be introduced in instalments; and we can and should go slow in the matter and implement at the outset only those parts which are well within the capacity of the industry to pay. It would be evidently absurd to insist that social insurance contribution should be levied even if it exceeds the paying capacity of industries; but it would be equally absurd to argue that simply because of a possible danger that the capacity of the industry to pay might be exceeded, we should put the social insurance scheme in cold storage in its entirety. Social insurance within the capacity of the industry to pay is all that is desired by these objectors; and this, indeed, is a basic principle which no sane system of social insurance can disregard.

Associated with this objection is the fear that the introduction of social insurance would call for heavier and increasing taxation, a misapprehension which is universal and not peculiar to India. But in this country, it is sometimes said, taxation is already heavy and highly regressive; and social insurance would create a real hardship for the people by inten-

sifying this tendency. Now this objection is very fallacious. Heavy taxation and regressive taxation are not one and the same thing; and larger slices may be lopped off the private incomes by the State for collective disbursement or for the benefit of the poor not only without intensifying the regressiveness of the taxation system but even by actually reducing its amplitude and unevenness. It all depends upon the heads that are struck by the Finance Member. Moreover, social insurance is nothing else than a form of redistribution of wealth, a way of spending money for the benefit of the poor. It would, then, be fallacious to focus attention only on the taxation aspect without at the same time keeping in view the social insurance benefits that would be available to the beneficiaries. Apart from it, the State in India is at present not ready to shoulder its financial responsibility in the matter and if this remains its attitude, the question of taxation might not arise. If its attitude changes for the better, this would most probably be associated with the acceptance of the principle of economic planning and then the rates of taxation need not at all be increased. Even if the principle of planning is not accepted, the State might very well tax the rich and make it available to the poor through the medium of social insurance and thus exert a wholesome effect not only on the taxation system but also on the distributive pattern.

It is also rather vaguely objected that as the internal political situation of the country is

in a tumultuous state and is poisoned by rank communalism which is making the confusion worse confounded, it might not be possible to plan in the best manner. Indeed, social insurance planning might be vitiated by the importation of communalism and other injurious ingredients. It is, however, not clear what exactly unfavourable repercussions can this exert on a social insurance scheme for India. For "reconstruction of social insurance and allied services to ensure security of income for all risks is a general aim on which all reasonable men would agree. It involves changes effecting many sectional interests, but it raises no issues of political principles or of party". We cannot surely stop every welfare and progressive measure simply on the ground that we are not a united house. That way lies stagnation and decay.

It is also sometimes stated that Indian labour is not prepared for contributing to social insurance and, therefore, for the introduction of social insurance. And it is concluded that when there is lack of willingness on the part of the very persons who stand to benefit by it, how does the question of introducing social insurance at all arise? This line of argument involves wrong logic, wrong facts and wrong theory. If a certain section of the population is really so oblivious of its interests, it is surely the duty of the State to make it alive to its welfare. But this is hardly the case in India. The Indian workers have said in the past that on account of their extreme poverty they should



not be asked to contribute at all or that they should not be made to contribute unless the employers and State both contribute; but this does not by any chance mean that they are opposed to receiving the benefits of social insurance: The labour viewpoint in regard to social insurance has, moreover, undergone a great change in recent years. They have realized that the Government's statement of their attitude *vis-a-vis* social insurance as stated above, is a mis-statement. Even some economists were tempted to argue in the same vein. Here is a typical utterance of an economist—Dr. Benoy Kumar Sarkar: "As for the workingmen themselves, their attitude *vis-a-vis* social insurance does not indicate any 'ripeness' of mentality or organisation either. The primitiveness of Indian labour force is perhaps nowhere more manifest than in the vagueness of the ideas prevalent among the workingmen concerning their proper sphere of activity and propaganda. The very fact that Indian workingmen continue still to enthuse over omnibus resolution of an all-sweeping character points inevitably to the fact that labour in India is yet in its non-age"<sup>7</sup> But these conditions have now changed for the better. The workers have now become fully conscious of its needs and advantages to them. They have expressed unequivocally on more than one occasion, publicly and otherwise, that they are prepared to bear their own share of financial responsibility. They have really

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<sup>7</sup> B. K. Sarkar, *Social Insurance in India*, THE INDIAN REVIEW, November, 1935, p. 734.

become anxious to do their own bit towards as early an introduction of social insurance as possible. It would as such be wrong today to accuse the workers of their being unprepared. From organizational angle, they might not be fully prepared to share their burden of responsibility, but the degree and nature of organization required on their part is dependent on the shape and mould of the system itself and *vice versa*, while the State interference must and can successfully do much that is necessary in this regard.

An objection of a more fundamental nature is the one which argues that in India there is no industrial proletariat class. Indian labourers have not yet broken off their village ties and they are merely a floating mass alternating between the field and the factory according to will or compulsion. This Royal Commission on Labour argument is now very old and does not bear repetition. In villages the pressure of population on land has been increasing for some time past, and the conditions of living have ceased to be very happy there. The urge to shift to industrial towns and remain there as long as possible has become genuine and lasting. In many cases the modern industrial worker has snapped his village moorings. He is now a fullfledged industrial proletariat. In other cases if he goes to the village, it is really because of an absence of social insurance scheme in the industrial regions. The absence of social insurance leading to labour migration and the latter rendering the removal of the former difficult,

is now a well-known vicious circle which has to be broken at some point or the other. If it is correct that we do not introduce social insurance on the ground that there is no huge labour proletariat in this country, it is also true that such proletariat would not come into being unless social insurance is instituted. If we must follow the line of least resistance, the social insurance point, being the weakest link in the chain, should be first attacked.

All these objections and fears are really the products of misunderstanding or lack of understanding and such of them as are genuine, can certainly be surmounted. Indeed, there are some excellent reasons why social insurance should be introduced just at the present moment. For one, there is at present an enviable lack of vested interests in this regard, on the side of labour as well as on that of capital, which usually become the champions of defending Things As They Are, a deadweight on progress. An idea of the hurdles placed in the way of progress by such factors can be had from the difficulties which the small dispensaries attached to Indian factories and mills have been creating in the matter of the ownership and control of all medical institutions under the Sickness Insurance Fund. It would, indeed, be better if social insurance is brought into being before any vested interest actually comes into existence. Apart from it, the present war has made us used to big changes and big measures. It is the right time to draw up a complete plan of social insurance, and to introduce it in such

manner as is deemed most desirable. Indeed, if we miss this opportunity, we would have missed a great thing.

The criticism of this nature as discussed above has not done much to prejudice or impair the case of social insurance for this country which is firmly rooted in hard facts. It has not at all been able to check the spread of this ideal. As observed by Prof. E. Ronald Walker, "its appeal to the imagination is such that relatively few public men dare reveal complete opposition to the proposal. On the contrary it has received the blessing, admittedly in vague and guarded terms, of the most conservative organs of opinion".<sup>8</sup> The discussions and deliberations regarding the practicability and desirability of the introduction of social insurance system in India have really been much too much; there has been too fanciful an emphasis on the difficulties in the way and too little thought on the practical aspects of the matter. If the system is even partly put into practice, many of the objections will be found to be without foundation and many more would be easily surmounted. There is much substance in the dictum that in theory a *prima facie* case can be made against any conceivable thing and the same thing can as well be brilliantly defended with apparent plausibility on a separate set of considerations. Practice in many cases, of which social insurance is one, better than

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<sup>8</sup> Walker, *Minimum Welfare Standards as a Post-War Objective*, I. L. R., Oct. 1943, p. 418.

precept and is the only antidote to the easy-chair and idle enumeration of difficulties and objections.

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## CHAPTER XII

### THE FUTURE OF SOCIAL INSURANCE IN INDIA

We have come to the end of our journey. We have discussed the main principles of social insurance and examined their application in the special economic and labour conditions obtaining in this country. We have given our suggestions with regard to the nature, structure, scope, evolution, finance, administration and actuarial basis of a social insurance scheme for India. We have closely examined the objections sometimes raised against social insurances, and indicated the position of social insurance *vis-a-vis* economic planning. All that now remains is to attempt to foretell, as reasonably as possible, what is the future of social insurance in our country.

One of the causes of the non-development of social insurance in India in the past had been a lack of appreciation of the existence of the problem and of the need of making an approach to it in an integrated and comprehensive form. Suggestions had certainly been made on several different occasions for the introduction of sickness insurance and some sort of employers' welfare assistance schemes for the benefit of workers. But the social

insurance approach to the Indian labour problem is not to be found in our economic history. The Bombay Strike Enquiry Committee of 1928-29, the Royal Commission on Labour of 1931, the Cawnpore Labour Enquiry Committee of 1937-38, the First Conference of Labour Ministers of 1940, the Behar Labour Enquiry Committee of 1940, the Bombay Textile Labour Enquiry Committee of 1940 and the Second and Third Labour Ministerial Conferences of 1941 and 1942, all did useful work in their own way, but they all came and went away without making even as much as a suggestion regarding the introduction of social insurance.

Much of this neglect has happily been made up in the last two years, during which the Adarkar Scheme of Health Insurance has kissed the last stroke on the anvil, and definite steps have been taken for the framing of a social security scheme for this country. The recent whirlwind developments in the sphere of social insurance in the world at large appear to have had considerable influence on the Labour Department of the Government of India, and it would be unfair to accuse them today of being oblivious of the importance and need of social insurance for this country. The same thing, however cannot be said with regard to Provincial Governments. The utterances of their officers at the Labour Ministers' Conferences show without doubt that they are, generally speaking, indifferent to social insurance measures. Their only business has been to

wait, watch and see that their provincial purses are not touched, and for the rest they do not care two hoots whether social insurance is or is not introduced.

Partly because of their ignorance and and irresponsibility but more because of the financial burden it would have imposed upon their purses, the Provincial Governments have been opposing the very idea of the introduction of social insurance from the very outset, and are particularly averse to finance it even today. There are no doubt several financial handicaps under which the provinces have been placed but they can still do something material in this matter, if they really want to do so, by economising in several directions and giving this subject a higher place in their preference scale. The centre is equally unwilling to assume its financial responsibility, even when it has monopolised elastic sources of revenue to take care of inelastic heads of expenditure, when a policy of economy drive and a new scale of values can provide substantial finances for social insurance, and when it can give a go to economic planning only if it desires to do so. After careful and detailed disussion of this problem in a preceding chapter (Ch. 8) we came to the conclusion that the unpreparedness of our Governments, Central and provincial, to feed social insurance for this country is absolutely without warrant. But far from trying to make amends for their omission in the past, they have indulged in the convenient game of putting the blame of the non-appearance of social insu-

rance in India up to this time on Indian employers and workers who, they say, are not prepared for the introduction of social insurance in this country, which is far from correct.

A careful perusal of the views expressed on this problem by the representative organisations of the Indian employers would reveal that far from presenting an individual or united front against any branch of social insurance or security, they have actually and consistently subscribed to the importance of introducing such a measure. But while agreeing to the rationale of social insurance, they have repeatedly made a demand for certain safeguards like the extension of the scheme to Indian States, the contribution by the State to the common fund which must be tripartite as is the case in most of the countries of the world, and the limitation of the employers' total liability in respect of contributions to the capacity of the industry to pay. The protection thus claimed by the employers must be regarded as reasonable and if merely on its basis it has been stated by the Governments and others that the employers are not prepared for the introduction of social insurance in this country, all that we can say is that the employers are more sinned against than sinning. We must, indeed, say to their credit that, unlike their compeers in foreign countries, they have not thus far placed any serious or permanent hurdles in the way of social insurance proposals. As regards the Indian workers, they have never said that they do not want a system



of social insurance for India, but they only expressed a desire sometime back that in view of their poverty they, or at least the low-wage-earners among them, should not be called upon to contribute. But even from this total or partial non-contributory position, they have now made a well-thought-out departure and declared their unequivocal readiness to contribute. They have thus absolved themselves of the wrongly alleged charge with a view to make the Governments to somehow move further in this matter. But what have the Governments done? Practically nothing. Their irresponsible and indifferent attitude still continues. One cannot altogether get away from the idea that the employers and workers have deliberately been put in the wrong merely to cover up the narrow and out-of-date Governmental policy in respect of the social insurance finance in this country. The talk of unpreparedness on the part of the Indian employers and workers is at least a meaningless bogey if not a deliberate subterfuge. The most important factor, then, that has really been impeditive to the introduction of social insurance in this country has been the want of readiness on the part of the Government of India and Provincial Governments to bear their share of financial responsibility in this regard. And unless there takes place a change in their attitude, unless they realise that social insurance is a great need of the hour and should be given a high priority in their consideration and disbursements and unless they are willing

in right earnest to make financial contributions to the common fund, all talks about social insurance would ever remain idle and futile. But of such a change of attitude on their part, there is little hope at the present time. They have already torpedoed the modest Sargent Education Scheme, and the Bhole Health Plan now on the anvil is in all probability going to meet the same fate. The history of social insurance or security is not going to take a different course. This conclusion is inevitable in view of the economic angle of the Government at the present moment.

We clearly see that when the scheme is ready and the thorny issue of giving it a practical shape has to be confronted, the vital problem of finance would be found to be the hardest nut to crack. We repeat our foreboding that our Governments have not in the past been willing to participate financially in a social insurance scheme; they are not willing today to bear their share of responsibility in this direction; and with their funny and out-of-date notions of Imperialism, economic planning and orthodox finance, it is as clear as pike-staff that they would not be ready to bear this financial burden in the post-war world. They would, in all probability, repeat the old story. They would put the cart before the horse, lament the financial stringency bogey, blame the employers and workers on the grounds akin to those related above, and comfortably go their own way as in the past declaring to the world at large that they have done their very best in the matter!

That is our reading on the assumption that an economic plan would not be allowed to operate and function in this country. In case, however, such a plan is introduced, there is not a shadow of doubt that we would be able to implement, finance and work up a comprehensive social insurance system in a non-too-distant future. But what are the chances of an economic plan being put into practice in this country? This is a big question and we have addressed ourselves to this problem with the seriousness and thoroughness that it deserves in our book entitled *Pessimism in Planning* (Allahabad, 1944) to which a reference may be made. In short, we do not possess the necessary control over our internal or foreign economic policy without which planning would be impossible. We do not also have a strong Centre or obliging and understanding units which can easily surrender their economic powers to the former in the interest of a nationwide plan. Nor are there any chances that after the war we would have a better Constitution. The tight corner in which Britain is finding herself at present and the need of increasing her exports by 50% or two-thirds in post-war period that she is keenly feeling, coupled with the disappearance of the old markets for British products because of the imposition of protective tariffs and local industrial developments in the various backward countries, will only compel her to tighten her hold on the Indian markets. The British Minister for Reconstruction, Lord Woolton,

has already declared that he is going to acquire statutory powers to increase British exports of goods and capital in India in fullest possible measure. It would, again, be also deluding to fancy that the international order would settle down to such a chastised mood after this bloody and total war that India would have to be given independence or necessary powers because of the pressure of international opinion. Far from it, the most important democratic country which will matter in the post-war period is the U.S.A. which is already exploiting every occasion of exporting goods to India and capturing her markets for her own purposes. The future is, therefore, likely to witness greater international rivalries and running over of the weaker nation. In such an atmosphere, it would be impossible for us to plan. Such political factors and other no less weighty factors on the economic and social fronts clearly indicate that India is not going to have the moon of economic plan for some time to come and the high-sounding phrases of post-war reconstruction, construction and planned economic development are only so many imaginary pegs on which people are childishly trying to hang the hats of their aspirations. And if this reading of the situation is correct, we are forced to conclude that to imagine that social insurance will come to us through the back-door of economic planning, is to hope against hope. We do not, however, rule out from our picture of the Things to Come, developmental schemes of limited character, sponsored by the

Government or carried out by individuals, which can render the introduction of certain individual branches of social insurance possible. But even these would not be given a satisfactory shape unless the Government of India are ready to acquit themselves worthily in this regard.

The prospects, we admit, are very gloomy. To conclude, we would not have social insurance in the present climate of opinion and policy in official quarters. This policy can undergo a change for the better only if we achieve control over our internal and external economic and social policies and set up a truly national and representative Government. Another way out of this impasse is the introduction of an economic plan, but of this there is no hope for the time being: and any way it could not be accomplished without acquiring power and authority of far-reaching character in economic and political domain. We are thus forced to conclude that so long as we are not given a command over necessary economic and political powers, it would be idle to hope that a social insurance scheme can be introduced in our country. The fate of social insurance in India must hang in balance for some time to come till political conditions have become more favourable. For the present the Government of India are merely toying with the problem of social insurance in an extravagant manner and it would be childish to look to such efforts for anything more than mere amusement.

## APPENDIX A

### Adarkar Plan of Health Insurance

As observed in the text, Prof. B. P. Adarkar was appointed a Special Officer to draft a Scheme of Health Insurance for Industrial Workers on March 1943; and he submitted the report on 15th August, 1944. The report was not available when this book was written; but as it has since been published, a summary of his main recommendations is given below.

*Assumptions.*—Prof. Adarkar makes four assumptions for the successful adoption of a scheme of health insurance. These are (1) the early adoption of a scheme of Unemployment Insurance and the creation of new Employment in the post-war period; (2) the establishment of a scheme of Old Age Pensions; (3) the adoption of certain “pre-medical measures” and (4) a National Health Drive.

*Fundamental Principles.*—(i) The scheme must be compulsory. (ii) It must be a contributory one as far as possible. (iii) It must be simple, clear and straightforward; (iv) It must take the existing framework of labour legislation as its formal basis. (v) It must not be too ambitious in the beginning. (vi) It must be financially sound, economical in working and actuarially balanced. (vii) It must minimise disputes and litigation. (viii) It must suit the peculiar circumstances of Indian labour. (ix) It must conform, as far as possible, to International Labour Conventions. (x) It must not be burdened with financial responsibilities properly belonging to other measures of social security. (xi) It must be flexible.

*Scope.*—The scheme covers only textile, engineering and mineral and metal industries. All perennial factories, except those specially “scheduled”, should be covered. The scheme should cover permanent, temporary and casual workers. There should be an upper income limit of Rs. 200 per month and an upper age limit of 60.

*Contributions.*—The period of contributions should be one month and the employer should be the agency for collections. The stamped card system should be used. The structure of contributions has been suggested as follows :

	Class C Earning more than Re. 1	Class B Earning Re. 1 to 8 as.	Class C Earning less than 8 as.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Employer pays ...	1 4 0	1 4 0	1 4 0
Worker pays ...	0 12 0	0 8 0	0 4 0
Total ..	2 0 0	1 12 0	1 8 0

*Benefits.*—There should be a qualifying period of 6 monthly contributions and a waiting period for cash benefit of 3 days. Medical benefit should be given without any conditions. The scale of cash benefits should be as under :—

Period	Class A	Class B	Class C
Until first 6 contributions are paid ...	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
After 6 contributions are paid to 24th contribution ...	0 6 0	0 4 0	0 2 0
After 24th contribution ...	0 12 0	0 8 0	0 4 0

*Actuarial Aspect.*—The actuarial basis of the scheme should be Budgetary Method. The Government should give a guarantee of the budgetary equilibrium by giving loans to cover deficits. There should be an actuarial enquiry at the end of first two years and at the end of every five years thereafter.

*Administrative Machinery.*—The kind of administrative machinery most suitable for Indian conditions is one which combines (a) territorial basis, (b) appropriate representation of the contributing parties, beneficiaries and the medical profession and (c) unification and centralisation. There should be a Central Board of Health Insurance which should have advisory Regional Boards and Local Committees under it.

*Medical Organisation.*—Separation of the cash benefit side from the medical benefit side was suggested but it is undesirable. There should be a Salaried Medical Service in place of Panel Service. Arrangements should also be made for preventive activities and post-medical rehabilitation.

*State Contribution.*—The Central Government and the Provincial Governments should contribute. If the Government agree to pay, the Central Government should pay 2 as. per worker and the Provincial Governments, 6 as. per worker. Correspondingly the contribution of employers should be reduced by 6 as. and of workers by 2 as.



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